

BUDGET

in Brief

and

Fiscal Trends Report

2002



Municipality of Anchorage

**George Wuerch, Mayor
Anchorage, Alaska**

BUDGET IN BRIEF

CITIZENS' GUIDE TO THE MAYOR'S 2002 GENERAL GOVERNMENT OPERATING BUDGET

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BUDGET IN BRIEF

CITIZENS' GUIDE TO THE PROPOSED 2002 GENERAL GOVERNMENT OPERATING BUDGET

George Wuerch, Mayor

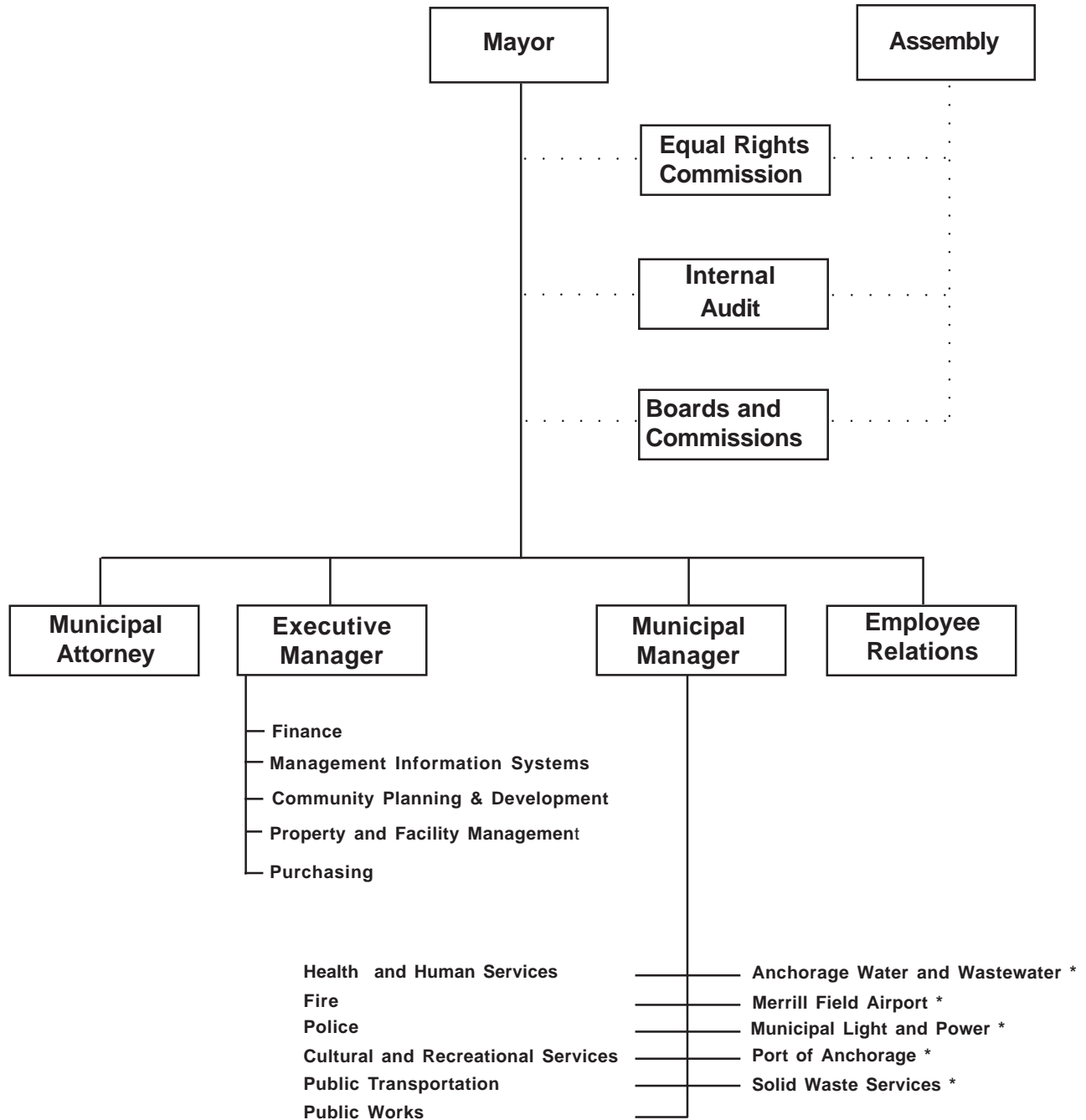
ASSEMBLY

Dick Traini, Chair	Janice Shamberg	Dick Tremaine
Cheryl Clementson	Dan Sullivan	Doug Van Etten
Anna Fairclough	Melinda Taylor	Fay Von Gemmingen
Dan Kendall	Allan Tesche	

ADMINISTRATION

Harry J. Kielsing Jr.	Municipal Manager
William A. Greene	Municipal Attorney
David K. Otto	Employee Relations Director

2001 GENERAL GOVERNMENT OPERATING BUDGET MUNICIPALITY OF ANCHORAGE ORGANIZATION



* The public utilities publish a separate budget document.

WELCOME

The municipal budget is the financial plan of operation for the government of the Municipality of Anchorage. The municipal budget is divided into three parts: general government, utilities, and capital improvement.

The General Government Operating Budget is of particular interest to the Anchorage taxpayer since it is partially financed by property taxes. The general government budget covers the operation and maintenance of police, fire, street maintenance, parks and recreation and other organizations that provide general government services. Approximately 58% of the general government budget is funded by property taxes. The remainder comes from Federal and State revenues and other local sources.

The 2002 ***Budget in Brief*** is intended to provide the reader with an overview of the 2002 General Government Operating Budget. If you are interested in more detailed information regarding the 2002 budget than presented in this ***Budget in Brief***, copies of the 2002 General Government Operating Budget are available for your review in the Alaska Collection at the Loussac Library and the reference area of each branch library. Copies of the General Government Capital Budget and the Utilities Operating and Capital Budgets are also available for your review at each library. General Government Capital Budget and Utility Budgets summary information as well as the Municipal 2002-2006 Fiscal Program are also available at the Municipality's web site (see bottom of this page).

Visit the Municipality's Home Page at <http://muni.org>

SERVICE PRIORITIES FOR A BETTER ANCHORAGE

THE ADMINISTRATION AND MUNICIPAL EMPLOYEES ARE COMMITTED TO THE GOAL OF MAKING ANCHORAGE AN EVEN BETTER PLACE TO LIVE AND RAISE OUR FAMILIES. THE ADMINISTRATION WILL PROVIDE THE HIGHEST POSSIBLE LEVEL OF SERVICE TO THE PEOPLE OF ANCHORAGE WITHIN THE BUDGET CONSTRAINTS FACING US IN 2002.

In achieving our goal to make Anchorage a more livable city, the Administration will continue to focus on seven broad priorities. Although shown as seven separate priorities, there is in fact much overlap. For example, public safety and quality of life are very important economic development forces; and fiscal stability is key in ensuring adequate funding for the other six priorities.

- **Public Safety**

We will continue to provide a safe environment for our City's residents and visitors by maintaining the appropriate quality and quantity of Anchorage police officers, keeping our police department connected with the community, keeping the community involved in public safety issues, and keeping up the momentum for a cleaner city. All of these work to reduce crime.

Crime in Anchorage in 1998 continued to drop. Over the past four years, crime in Anchorage decreased at a rate more than three times that for the rest of the country. Anchorage's crime rate during the past four years has experienced a 14% decrease in homicides, 20% decrease in rape, 56% decrease in robbery, 50% decrease in stolen autos, 39% decrease in burglary, 41% decrease in assaults, and a 35% decrease in theft during the last four years. The downturn in the crime statistics can be largely credited to the Anchorage Police Department; to a good job by the Municipal Prosecutor's Office, State District Attorney's Office, and the U.S. Attorney's Office in prosecuting offenders; and to the volunteer support and commitment of the general public.

The continued downward trend in crime gives a good indication that Anchorage's aggressive stance against crime, including the move to community policing, is showing good results. Although we can be pleased by this information, we should not yet be satisfied. These crime statistics are a good sign that Anchorage is moving toward being the safer city we all want, but there is still work to be done. The community's constant vigilance and high level of awareness of criminal activities is one of the major keys to making Anchorage a safer city.

We must ensure that the Police Department is properly staffed and scheduled to ensure the continued reduction in the occurrence of violent crime in Anchorage. Increased on-street presence is having a dramatic impact in the areas of domestic violence, DWI arrests, and juvenile crime. The 2002 budget will provide the Municipal local match funding for a federal grant for 15 new police officers for which the Municipality has applied and anticipates to receive.

With this addition of the 15 officers, at full strength we will have 370 sworn officers compared to 248 sworn officers actually on board in November 1994.

Anchorage was faced with a potential \$18 million cumulative problem for 2001 and 2002. The following actions were taken by the Mayor to mitigate the cumulative impacts of the State revenue sharing reductions on the 2001 and 2002 budgets:

- Eliminate proposed 2001 \$4.1 million property tax cut and bring 2001 taxes up to the 1998 level
- Require a 4% reduction in all departments' 2001 spending
- Direct all departments to prepare 2002 budgets which are 6% lower than 2001.

The 2002 Mayor's Budget direct costs on page 14 reflect the results of the 6% reductions directed by the Mayor. Excluded from the reductions were items such as debt service on our bonds, long-term leases, the jail contract, and other obligations which cannot be reduced in the short term. In several cases, departments (e.g., Fire) were allowed to cut their direct costs (less exclusions) by less than 6% by increasing existing fees or implementing new fees.

About half of the 2002 budget reductions were achieved through staffing efficiencies, department restructuring, and reductions in travel, supplies, equipment, and contracted services costs. Much of the efficiencies can be attributed to the productivity of Municipal employees, leave reductions made during the Mystrom administration, and recent computerization.

About half of the 2002 budget reductions do involve reduction in the level of service. However, care was taken to minimize impact on public priorities. There is no reduction in Police and Fire personnel and services, although some planned increases have been delayed. The 2002 budget continues the priority of the Comprehensive Plan. Although the 2002 budget of the Department of Community Planning and Development shows a reduction from the 2001 budget, the reduction is due to several large 2001 one-time items not related to the Comprehensive Plan. Where service reductions were required in other departments, they were always made in the lowest utilized programs and services or hours/days of operation.

Budget Increases

The Mayor's 2002 Budget also reflects about \$6.5 million of new requirements.

A total of \$5.0 million of these new requirements were approved by the voters. They are a \$3.8 million increase in debt service (almost entirely in the Department of Public Works, the Fire Department, and the Department of Cultural and Recreational Services) and \$1.2 million in the Fire Department for the operation (including the firefighters) of additional fire trucks.

The remaining \$1.5 million net increase for new requirements for 2002 includes:

- Local match for federal grant for 15 new police officers for which the Municipality has applied.
- Two new Museum positions which will be 100% funded by an increase in Museum admission fees.
- New Permit and Development Center funded primarily by non-property tax revenues. The direct costs are reflected in the budget of the Department of Property and Facility Management who then charges the various occupants of the building.
- 50% of increased Hotel-Motel Tax revenues (based on the current 8% tax rate) to the Anchorage Convention and Visitors Bureau (in the Non-Departmental budget).

Our fire and emergency medical response capabilities are increased in the 2002 budget. The fully integrated fire and medical services have improved emergency response times, even as the number of emergency calls continues to increase due to population increases. In 2002, our major emphasis on public education and cost-effective fire and medical response will continue.

The Public Safety Financial Plan introduced by the Mayor and approved by the Assembly in 1997 continues the Municipality's ability to provide financial support for public safety programs while reducing the impact on property taxpayers. The Plan utilized Anchorage's \$12.1 million share of the State's "Safe Communities" legislation early one-time payment to reduce existing long-term bonds or was used in lieu of selling new bonds associated with public safety programs which will save \$22 million over the life of the bonds.

- **Fiscal Stability**

Our biggest challenge during recent years has been trying to keep taxes down in the wake of decreasing State revenues.

If falling State revenues require the reduction of the State government budget, it is only fair for local governments to share in that reduction. However, the trend for the State to balance its budget by disproportionate reductions in State revenues to municipalities is inequitable and only serves to increase the pressure on local taxpayers. Such reductions represent a form of tax shifting from the State to the local level. We will continue to work with other Alaska communities to help prevent this trend from continuing.

The sale of the Anchorage Telephone Utility successfully closed in May 2000. The net proceeds of the sale were invested in the Municipality of Anchorage Trust Fund. We will invest other monies in the Trust when they become available. Earnings from the Trust will be used in the operating budget to reduce property taxes.

As a result of our stable financial outlook, strong financial performance, and excellent cash management, national bond rating agencies give Anchorage a strong rating.

In the most recent annual study of taxes in the largest city in each state plus the District of Columbia, called the "Tax Rates and Tax Burdens: A Nationwide Comparison," Anchorage again was identified as having the lowest taxes in the nation.

- **Economic Development**

We will continue to help facilitate orderly, attractive growth in our community.

We will work to create an anchor for coordinated development of the city's waterfront including a diversity of uses such as government and commercial offices, research facilities and conference facilities, recreational and educational opportunities, and tourism.

We are completing a feasibility study for the development of the proposed Alaska Salmon Research and Fisheries Support Centers in the Ship Creek area. The facilities will be a working salmon research center and function as a central gathering location for the statewide commercial fishing industry.

We will assure that our local government is a partner, not a barrier, to business. Our reputation as a safe place to invest, to work, and to live can be among the best in America and the Pacific Rim. We are restructuring the current building permitting process to be more efficient and effective in responding to community needs. As part of this restructuring, a new one-stop Permit and Development Center to provide a more efficient permitting process is currently under construction and is scheduled for opening in early 2002.

The expansion of tourism and the convention industry will have a very positive impact on our economy. We will work to ensure Anchorage grows as a popular tourist and convention destination.

We will continue to work in partnership with the Anchorage Convention and Visitors Bureau, the Anchorage Economic Development Corporation and the Anchorage and Eagle River Chambers of Commerce. By working with these groups and others, we can lead the way in building economic strength for our community.

- **Quality of Life**

As we enter the new century, quality of life will be the most important economic development force of our foreseeable future. People want to live and do business in a community that is safe, clean, and offers a healthy lifestyle. Business will seek out communities that can offer their employees a good place to live and raise a family.

A city must always strive to keep costs down just as a family must always live within its means. But within a tight budget we must provide, as efficiently as possible, those cultural and recreational amenities such as a museum, libraries, bike trails, parks and recreation opportunities that make a city livable and enjoyable. We will also provide basic social and public health services to those in need.

Cultural and arts facilities contribute to the quality and the economic strength of our community. We will be especially supportive of those facilities and programs which receive substantial portions of their revenue from user fees and private contributions.

Using cost effective non-profit organizations is the best way to deliver needed social, cultural, and recreational services. We must work closely with these groups to encourage them to play a major part in solving the challenge of providing social, cultural, and recreational services in a period of declining revenues.

- **Maintenance of Municipal Roads and Facilities**

Attractive, functional streets are an important asset of a community. We will continue to make the streets throughout our City safer and cleaner. Continued use of de-icing agents and high quality gravel combined with earlier street sweeping will reduce spring dust levels. Continued emphasis on streetlight maintenance will continue to improve the safety of our neighborhoods.

We will adequately maintain our municipal basic facilities, roads and public buildings, as well as parks, bike trails, and cultural facilities. We will maintain existing facilities to allow our children to enjoy the benefits of these improvements for many years.

Emphasis will continue to be placed on rehabilitating and maintaining our Municipal infrastructure through an aggressive program to obtain State grant funding and through the use of bond proceeds and other local funds identified for this purpose.

In addition to adequate roads, a basic public transportation program is an important element of our comprehensive transportation system. We expect to see continued efforts to improve the efficiencies of the People Mover system. We also expect to continue efficiency improvements in the AnchorRIDES service for seniors and persons with disabilities as computerized scheduling and dispatching are implemented.

- **Community Planning**

The Comprehensive Plan – *Anchorage 2020* is scheduled for completion of the public hearing draft in late 2000. The Assembly will hold its public meetings and hearing during early 2001 as the culmination of the public involvement process. The plan will outline the goals and objectives; assess current conditions and trends; evaluate alternative plan scenarios; and select a preferred plan scenario. In September 2000, the Department of Community Planning and Development sponsored several open houses and citizen work groups for public review and discussion of the different plan scenarios to aid in the preparation of the draft plan. The services of a fiscal analysis consultant were retained to prepare a fiscal impact analysis of the four plan scenarios. This technical study will evaluate the costs and revenues to the Municipality for different land uses and for each plan scenario. *Anchorage 2020* is the principal focus of the department and will provide the foundation for the community's vision of the future including Anchorage's emergence as a premiere northern city.

In 2002 the Department of Community Planning and Development will begin to place more emphasis on implementing some of the Comprehensive Plan – *Anchorage 2020* recommendations for land use, transportation, design, and environment, public improvements and services.

In addition to the Comprehensive Plan, the Department of Community Planning and Development will be working on several other time critical issues including the Girdwood zoning regulations, the Girdwood Transportation Plan, and the revision of Anchorage's sign ordinances. We will continue to efficiently operate the regulatory side of the office in responding to rezoning, conditional use, variance, and platting applications, and wetland permits.

- **Beautification**

We will continue our efforts to make Anchorage a more beautiful, attractive city for both the people who live here and those who visit. The maintenance and watering of our sports and parks facilities and road rights-of-way/medians will enjoy a high priority. The flowers throughout our city play an important role in its beauty. We will continue our efforts on timely zoning enforcement. Programs such as junk car removal and Graffiti Busters continue to make our city more attractive and a better place in which to live or visit.

Column 5 – Reductions Over/(Under) Directed Reductions

After considering any allowed revenue increases in lieu of expenditure decrease in column 4, column 5 shows how much over/(under) the directed reductions in column 2 are the 2002 budget reductions actually made by the department. Actual reductions over the directed reductions further decreased the 2002 budget; actual reductions under the directed reductions increased the 2002 budget.

BUDGET INCREASES

NOTE: The budget and related property tax increases for a total of \$5.0 million of these new requirements were approved by the voters (columns 7 and 8).

Column 7 – Voter-Approved Debt Service

This is the increase in voter approved debt service (slight decrease in three departments).

Column 8 – Voter-Approved Operations and Maintenance Costs Increases

Operations (including the firefighters) and maintenance costs of additional fire trucks for Eagle River and south Anchorage for which the voters approved an increase in property taxes (and resulting budget).

Column 9 – Other

- a) Cost of anticipated run-off election due to new requirement that all candidates receive more than 50% of the vote (\$100,000), and other miscellaneous increases.
- b) Mandated compensation for Mayor-elect during transition and related transition costs.
- c) Fire Department management audit
- d) Local match for Federal grant for 15 new police officers.
- e) Two new Museum positions which will be 100% funded by an increase in Museum admission fees. Increases funded by Eagle River/Chugiak Parks and Recreation Service Area fund balance and Girdwood Valley Service Area property taxes (increases were requested by the respective Boards of Supervisors); and miscellaneous increases.
- f) Federal mandated ADA increase for AnchorRIDES system
- g) Cemetery grave markers and grave site/marker restoration (funded by burial fee revenues)
- h) New Permit and Development Center funded primarily by non-property tax revenues. The direct costs are reflected in the budget of the Department of Property and Facility Management who will then charge the various occupants of the building. Also includes \$100,000 Municipal match for a feasibility study for a new Downtown Convention Center.
- i) \$500,000 additional is budgeted to the Anchorage Convention and Visitors Bureau based on projected \$1,000,000 additional Hotel-Motel Tax revenues (at the current of 8% tax rate). \$81,000 increased contribution to the Anchorage Economic Development Corporation based on a formula to match private donations.

MISCELLANEOUS ADJUSTMENTS – INCREASES/(DECREASES)

Column 10

Includes salary and benefits increases, including full Municipal funding of six partially Federal grant-funded Police officers; decreases for 2001 one-time costs; reduction in costs of Police–Fire retiree medical contribution costs based on new actuarial study; and pay-off of the loan for Sullivan Arena floor repair (the loan was actually repaid in 2001 and the Municipal ticket surcharge has been eliminated).

2002 GENERAL GOVERNMENT OPERATING BUDGET

REVENUES

	<u>1999 Revised Budget</u>	<u>2000 Approved Budget</u>	<u>Increase/ (Decrease)</u>
State Revenues	\$ 14,595,250	\$ 14,323,990	\$ (271,260)
Federal Revenues	393,580	409,580	16,000
Program Revenues	26,797,630	27,967,200	1,169,570
Local Allocated Revenues	36,966,350	40,627,030	3,660,680
Intragovernmental Charges	16,277,160	16,190,350	(86,810)
Applied Fund Balance	18,317,420	8,776,340	(9,541,080)
Property Taxes	145,436,460	147,706,890	2,270,430
	<u>\$ 258,783,850</u>	<u>\$ 256,001,380</u>	<u>\$ (2,782,470)</u>

Revenues for 2002

State Revenues

Safe Communities Program	\$ 7,689,180
State Revenue Sharing	3,695,670
Reimbursement for Maintenance of State Traffic Signals	1,271,550
Electric Co-Op Allocation	930,000
Liquor Licenses	365,500
Other	372,090
	<u>\$ 14,323,990</u>

Federal Revenues

Federal in Lieu of Property Tax	\$ 306,450
Civil Defense	64,000
Other	39,130
	<u>\$ 409,580</u>

Program Revenues

These are revenues earned by the departments, including fees for services, license and permit fees, and fines. Departments with over \$500,000 in program revenues are identified separately below:

Police	\$ 6,765,200
Public Works	6,481,360
Health and Human Services	3,348,310
Cultural & Recreational Services	3,347,390
Fire (includes EMS)	3,164,430
Public Transportation	1,932,460
Executive Manager (Heritage Land Bank)	661,510
Other	2,266,540
	<u>\$ 27,967,200</u>

Local Allocated Revenues

These are revenues received or earned by the Municipality from other than the State or Federal governments which are not attributed to a particular department/program or service:

Hotel-Motel Tax	\$ 10,000,000
Contribution from MOA Trust Fund (from sale of ATU)	9,400,000
Interest/Penalties	9,107,020
Tobacco Tax	4,204,100
Auto Tax (collected by State)	5,542,650
Police/Fire Retiree Medical Trust Fund Contribution	1,300,000
Assessments	839,500
Other	353,760
	<u>\$ 40,747,030</u>

Intragovernmental Charges

These are revenues received by General Government for services performed for the enterprise activities, capital projects, and State/Federal grants.

Applied Fund Balance

Fund balances are cash balances in the various Municipal funds/service areas (i.e. Police, Anchorage Parks & Recreation, Anchorage Fire, Anchorage Roads and Drainage, etc.). These cash balances increase if actual expenditures during the year are less than budgeted or if revenues are more than budgeted; the balances decrease if revenues during the year are less than budgeted.

Consistent with continued Assembly requests to reduce fund balances, the fund balances have been reduced as much as possible, consistent with cash flow needs, maintenance of bond ratings, and types of contingencies which could require additional support from a particular fund.

The amount of fund balance available for 2002 is less than that for 2001 primarily because of large unbudgeted revenues in 1998 and 1998 bond debt service savings which added to the fund balance available for 2001.

Property Taxes

This is the total amount of revenue to be raised by levying taxes on real property (including enterprise activities except Merrill Field Airport) and personal property.

The property tax cap approved by the voters in 1983 was intended as a limit; however, available taxes should be used only when needed for priority services. The 2002 Approved Budget is \$9.1 million below the tax cap.

2002 GENERAL GOVERNMENT OPERATING BUDGET

... WHERE THE MONEY GOES (BY DEPARTMENT)

Department	Direct Cost				Total Positions			
	1999 Revised Budget	2000 Mayor's Budget	Increase/ (Decrease)		1999 Revised Budget	2000 Mayor's Budget	Increase/ (Decrease)	
Assembly	\$ 2,314,710	\$ 2,130,100	\$	(184,610) (8.0%)	26	26	0	0.0%
Equal Rights	462,860	450,760		(12,100) (2.6%)	6	6	0	0.0%
Internal Audit	476,150	450,320		(25,830) (5.4%)	7	7	0	0.0%
Office of the Mayor	851,940	814,440		(37,500) (4.4%)	9	8	(1)	(11.1%)
Municipal Attorney	4,456,840	4,060,360		(396,480) (8.9%)	64	59	(5)	(7.8%)
Employee Relations	2,947,510	2,880,200		(67,310) (2.3%)	32	31	(1)	(3.1%)
Municipal Manager	1,587,330	1,510,790		(76,540) (4.8%)	23	22	(1)	(4.3%)
Health & Human Services	10,669,520	9,946,760		(722,760) (6.8%)	86	83	(3)	(3.5%)
Fire	32,600,590	33,425,740		825,150 2.5%	309	324	15	4.9%
Police	47,450,720	45,903,900		(1,546,820) (3.3%)	529 *	544 **	15	2.8%
Cultural & Recreational Services	23,170,000	22,036,360		(1,133,640) (4.9%)	549	534	(15)	(2.7%)
Public Transportation	9,984,450	9,696,740		(287,710) (2.9%)	132	126	(6)	(4.5%)
Public Works	59,011,910	60,005,970		994,060 1.7%	352	343	(9)	(2.6%)
Executive Manager	911,950	872,670		(39,280) (4.3%)	9	9	0	0.0%
Finance	13,313,840	12,869,090		(444,750) (3.3%)	123	115	(8)	(6.5%)
Management Info Systems	13,450,580	13,269,610		(180,970) (1.3%)	85	83	(2)	(2.4%)
Community Planning and Development	2,904,170	2,715,120		(189,050) (6.5%)	36	36	0	0.0%
Property & Facility Management	20,301,460	20,613,680		312,220 1.5%	97	95	(2)	(2.1%)
Purchasing	1,075,040	1,071,260		(3,780) (0.4%)	15	15	0	0.0%
Non-Departmental	10,842,280	11,096,510		254,230 2.3%	0	0	0	0.0%
TOTAL	\$ 258,783,850	\$ 255,820,380	\$	(2,963,470) (1.1%)	2,489	2,466	(23)	(0.9%)

* Includes 6 partially federally funded grant positions.

** Includes 15 partially federally funded grant positions.

CHANGES IN THE BUDGET BETWEEN 2001 AND 2002

Budget Reductions

The Mayor's original 2001 revised budget proposal called for a \$4.1 million reduction in 2001 property taxes on 1999 existing property. However, in mid-May 2001 the State legislature reduced State revenue sharing to Anchorage by \$6.1 million. With this State revenue sharing reduction, the property tax decrease was no longer possible.

NOTE: The following information is provided regarding the indicated columns on pages 6 - 7.

BUDGET REDUCTIONS

Column 2 – Directed Reductions

The Mayor's original 2001 revised budget proposal called for a \$4.1 million reduction in 2001 property taxes on 1998 existing property. However, in mid-May 2001 the State legislature reduced State revenue sharing to Anchorage by \$6.1 million. With this State revenue sharing reduction, the property tax decrease was no longer possible. Anchorage was faced with a potential \$18 million cumulative problem for 2001 and 2002. The following actions were taken by the Mayor to mitigate the cumulative impacts of the State revenue sharing reductions on the 2001 and 2002 budgets:

- Eliminated proposed \$4.1 million property tax cut for 2001
- Required a 4% reduction in all departments' 2001 spending*
- Directed all departments to cut 6% from their 2001 budget as a 2002 base budget*

* Excluded from the cuts were fixed costs such as debt service; long-term leases; the jail contract; and other obligations which cannot be reduced in the short-term. Also excluded were costs in small service areas with voter-approved mill rates (such as Limited Road Service Areas) and Building Safety and the Heritage Land Bank which are funded entirely by their own program revenues.

The costs of 2001 one-time items were not part of the 6% reduction because 100% of the costs of 2001 one-time items were deleted from the 2002 budget --- see column 11. The reductions were based on the 2001 budget approved by the Assembly on November 24, 1998 rather than the 2001 Revised Budget since the 2001 first quarter budget revision was not approved until May 20, 2001 because of State revenues uncertainties. Some departments had budget increases in the first quarter budget revision while others had decreases; the net change was a decrease of \$302,010.

About half of the 2002 budget reductions were achieved through staffing efficiencies, department restructuring, and reductions in travel, supplies, equipment, and contracted services costs. Much of the efficiencies can be attributed to the productivity of Municipal employees, leave reductions made during the Mystrom administration, and recent computerization.

About half of the 2002 budget reductions do involve reductions in the level of service. However, care was taken to minimize impact on public priorities. There is no reduction in Police and Fire personnel and services, although some planned increases have been delayed. The 2002 budget continues the priority of the Comprehensive Plan. Although the 2002 budget of the Department of Community Planning and Development shows a reduction from the 2001 budget, the reduction is due to several large 2001 one-time items not related to the Comprehensive Plan. Where service reductions were required in other departments, they were always made in the lowest utilized programs and services or hours/days of operation.

Column 4 – Revenue Increases in Lieu of Expenditure Decrease

In several cases departments were allowed to cut their budget (direct costs in column 3) less than 6% by increasing existing fees or implementing new fees. The allowed Mayor's 2002 budget for these departments, therefore, increased by the amount of revenue increase (the revenue increase had the same effect on 2002 property taxes as would have had the expenditure decrease). In the Approved Budget, some of the revenue increases in the Fire and Police Departments were not approved; however, the departments were not required to make a corresponding budget direct costs reduction.

2002 GENERAL GOVERNMENT OPERATING BUDGET

... WHERE THE MONEY GOES (BY EXPENDITURE TYPE)

Department	Personal Services	Supplies	Other Services	Debt Service	Capital Outlay	Total Direct Cost
Assembly	\$ 1,268,990	\$ 13,200	\$ 832,270	\$ 0	\$ 15,640	\$ 2,130,100
Equal Rights Commission	389,410	2,500	58,850	0	0	450,760
Internal Audit	442,440	1,980	5,900	0	0	450,320
Office of the Mayor	633,620	18,710	156,110	0	6,000	814,440
Municipal Attorney	3,651,430	34,760	313,940	0	60,230	4,060,360
Employee Relations	1,871,520	62,710	945,970	0	0	2,880,200
Municipal Manager	1,378,770	16,310	64,870	38,540	12,300	1,510,790
Health and Human Services	4,672,860	311,410	3,505,880	1,416,320	40,290	9,946,760
Fire	25,547,040	834,610	5,591,860	991,030	461,200	33,425,740
Police	38,932,380	665,350	5,467,330	635,850	202,990	45,903,900
Cultural and Recreational Services	14,780,320	784,810	2,924,190	1,882,610	1,664,430	22,036,360
Public Transportation	7,105,600	1,079,130	1,384,990	124,020	3,000	9,696,740
Public Works	21,508,390	2,267,360	12,001,640	23,899,350	329,230	60,005,970
Executive Manager	629,650	7,950	226,440	0	8,630	872,670
Finance	6,597,890	91,530	6,140,330	0	39,340	12,869,090
Management Information Systems	5,904,710	306,620	6,879,380	178,900	0	13,269,610
Community Planning and Development	2,439,740	27,890	247,490	0	0	2,715,120
Property and Facility Management	5,677,870	2,392,490	12,543,320	0	0	20,613,680
Purchasing	980,140	14,400	70,720	0	6,000	1,071,260
Non-Departmental	0	520	10,516,320	579,670	0	11,096,510
TOTAL	\$ 144,412,770	\$ 8,934,240	\$ 69,877,800	\$ 29,746,290	\$ 2,849,280	\$ 255,820,380

HOW MUCH PROPERTY TAX YOU ARE PAYING FOR EACH MUNICIPAL SERVICE

The Municipality of Anchorage operates under a "service area concept" whereby taxpayers in different areas or taxing districts of the Municipality pay property taxes only for those services which are either required by law or which they vote to receive. The following shows, for each \$100,000 assessed valuation, what residents pay for each of the services they receive including Anchorage School District.

Taxing District	Taxing Location	School ¹ District	Areawide ²	Fire	Roads	Police	Parks & Rec	Building Safety	Road ³ Debt Serv.	Total
1, 81	Anchorage Former City	\$ 809	\$ 185	\$ 164	\$ 342	\$ 261	\$ 82	\$ 1	\$ 2	\$ 1,846
2, 19-21 28, 31-41, 44-45, 52-54	Upper Hillside/ S.E. Midtown*	809	185	164		261	82	1		1,502
3, 14	Spenard / Muldoon / Sandlake / Ocean- view areas	809	185	164	342	261	82	1		1,844
4	Girdwood	809	185	152	104		51			1,301
5	Glen Alps	809	185		272	261				1,527
9	Stuckagain Heights / Basher*	809	185	164		261				1,419
10, 50	Chugiak, Birchwood ER Rural Road SA*	809	185	164	206	261	54			1,679
18	Lower Hillside	809	185	164	342	261	82	1		1,844
22, 51	Chugiak*	809	185	97	206	261	54			1,612
30	Eagle River Valley	809	185		206	261	54			1,515
42	Potter Heights	809	185		342	261				1,597
46	Eaglewood Contributing RSA	809	185	164	21	261	54			1,494
47	Gateway Contributing RSA	809	185		16	261	54			1,325
15	Other Outside Bowl without Police	809	185							994
16,23,43, 55	Rabbit Ck & S. Gold- enview w/o Fire / Bear Valley / Other outside bowl with Police*	809	185			261				1,255

¹ Anchorage School District preliminary projection (December 13, 1999)

² Some services provided by the Municipality must be offered on an "areawide" basis under state law or as provided for in the Municipal Charter. These include services such as health and environmental protection, social services, animal control, library, museum, mass transit, emergency medical services, planning and zoning, property assessment, and tax collection.

³ This Road Debt, originally issued prior to 1975, is from the former Anchorage City.

* Property taxes for Limited Road Service Areas and Street Lighting Service Areas, where applicable, are not included. Other Road Service Areas are included.

NOTE: The 2000 property taxes in this appendix are based on preliminary assessed valuation estimates which may change prior to April 2000 when the actual 2000 mill rates will be approved by the Assembly.

HOW THE BUDGET IS PREPARED

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 enterprise activities) 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 which 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 Cap

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 which 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 (function costs 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.

PREPARATION OF THE MAYOR'S PROPOSED BUDGET

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 which 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, Executive Manager and the Municipal Manager. The Municipal Manager then makes budget recommendations to the Mayor. In some cases, unfunded service levels which 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 Maintenance Division maintains all general government buildings. Maintenance costs are budgeted in Facility Maintenance 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 Police Service Area taxpayers pay for the whole police program, including the cost of maintaining the police building. The intragovernmental charge system allows general government departments/agencies to properly charge enterprise activities, 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	<u>(2,000,000)</u>
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. These program revenues are estimated by the departments when they prepare their service levels.

Other revenues are earned or received by the Municipality as a whole. These are allocated revenues. Examples are Hotel-Motel Tax and interest/penalties. These revenues are allocated to the various service areas (funds) as the budget is developed.

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	<u>(500,000)</u>
Service Area Tax Requirement	<u>\$ 2,000,000</u>

Calculation of Mill Levies

To calculate mill levies, the tax requirement and the estimated assessed valuation of the taxable property in each service area must be known. The mill levy is computed as follows:

Service Area	÷	Service Area	x	1,000	=	Mill Levy
Tax Requirement		Assessed Valuation				
\$2,000,000	÷	\$10,000,000,000	x	1,000	=	.20 mills