

BUDGET OVERVIEW

OVERVIEW OF THE 2003 GENERAL GOVERNMENT OPERATING BUDGET

A primary goal for the Administration in developing each general government operating budget is to take another step forward in securing the Municipality's long-term fiscal future. In proposing the Administration's 2002 budget in the fall of 2001, three important objectives were reflected:

- Spend what we can afford based on reliable future revenues;
- Protect the Municipality's excellent bond rating, which translates into less taxes to pay for voter-approved bonds; and
- Provide citizens information by which they can evaluate the value of public dollars being spent.

The 2003 budget takes further steps to provide a stable and secure fiscal future for the Municipality and its citizens.

Budget Stability

In 2001, more than 95 percent of the Municipality's revenues were categorized as "recurring." This meant 95% of the revenues were likely to be received each year. The reliability of getting the other five percent was significantly less certain. This category of revenue is often called "applied fund balance." These are the funds unspent at the end of one budget year that are available to be used to pay for ("applied to") the following year's spending.

Over the last ten years the amount of fund balance applied each year has fluctuated widely, from a low of \$1.8 million in 2002 to a high of \$20.2 million in 2000. Because the amount of Fund Balance available each year can vary dramatically, it is an unpredictable revenue source on which to rely to pay for recurring program costs. This practice has routinely required 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. The 2003 proposed budget applies \$1.9 million in fund balance, out of an estimated \$2.6 million available. The balance is proposed to be set aside for unanticipated spending requirements in 2003.

Protect the Municipality's Excellent Bond Rating

In October 1999 the Municipality's bond rating was upgraded by both Moody's and Standard & Poor's. It was raised to the highest it has ever been—to Aa3 from A1 by Moody's and to AA- from A by Standard & Poor's. The good news for tax payers is that the higher the bond rating, the less interest the Municipality and School District pay when they sell a bond to finance infrastructure improvements. Lower interest costs translate into direct savings to taxpayers. In June 2001 the Municipality refinanced some municipal and school district bonds. This refinancing will save taxpayers \$7.7 million over the life of the bonds (\$3.6 million for the school district and \$4.1 million for the Municipality).

In evaluating local governments, the bond rating community looks at the amount of its revenues that have been set aside in reserves to cover costs in an unanticipated event. In 2001, the Municipality's financial advisor said that in general, cities with an excellent bond rating have at least 8% of their revenues set aside. The Administration worked closely with the Anchorage School District to reach

agreement on a formal reserves policy, which ultimately was adopted by the Assembly. As a result, both the Municipality and School District have set aside 8.25% of respective revenues in order to meet the expectations of the bond rating community. For the Municipality, this translated into a reserve of \$21 million in 2002 and 2003.

Deliver Results for Dollars Spent

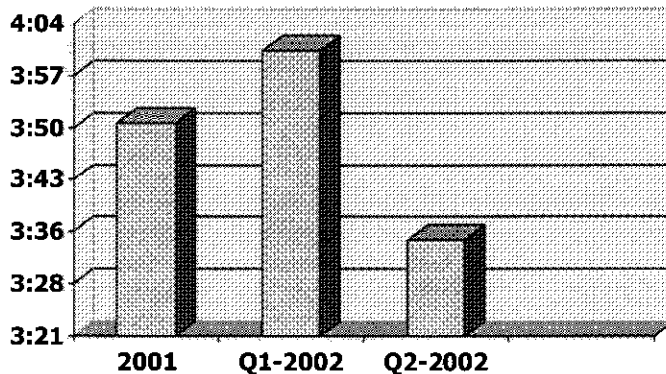
A primary goal for the Administration is to keep spending at a level that the Municipality can expect to afford each year. This has meant keeping spending in-check and making certain the Municipality does the right things at the right price.

As citizens participate and listen to the budget debate, it's not unusual for some to use the fact that more or less money is being spent as the yardstick to demonstrate an elected official's commitment—or lack of it. As a result, all too often the public budget debate focuses on what is not funded with little, if any, attention paid to the \$280 million that will be spent or the results being delivered.

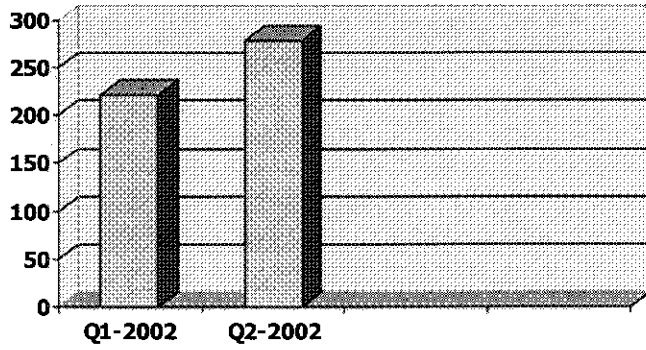
The Administration's proposed 2003 operating budget is structured to take major steps in shifting the focus of this debate to holding program managers accountable for all dollars invested in city services—and for the results delivered.

Typically, government programs are good at counting things. A program will report how much of an activity it does—i.e. the number of customers served, number of permits processed, or phone calls received. But these really are "activities." What should be more important is the *quality* of the customer service, the *length of time* it took to get a permit, and how long to process an application *accurately*. These are the kind of "results" which the Investing for Results! program is reporting. Examples of these kind of public safety performance measures included as part of the Investing for Results program are:

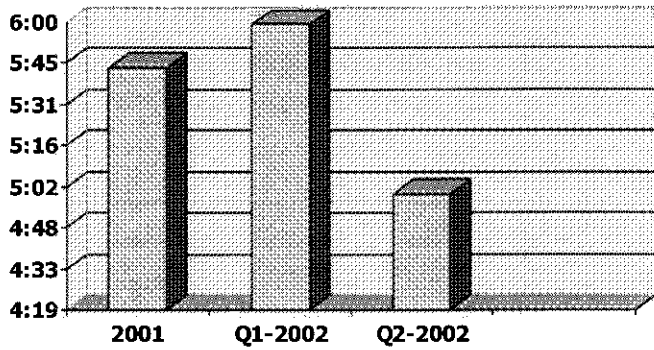
Average Emergency Medical Response (in Minutes)



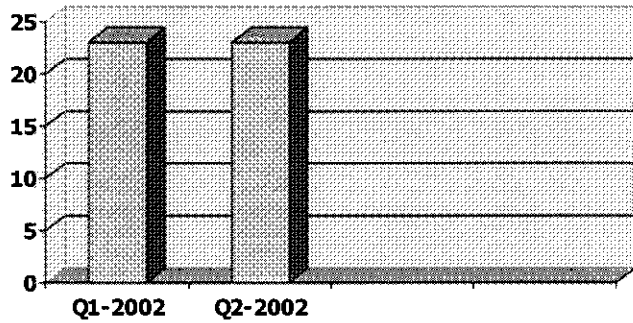
Number of Lives Saved by Medical Intervention



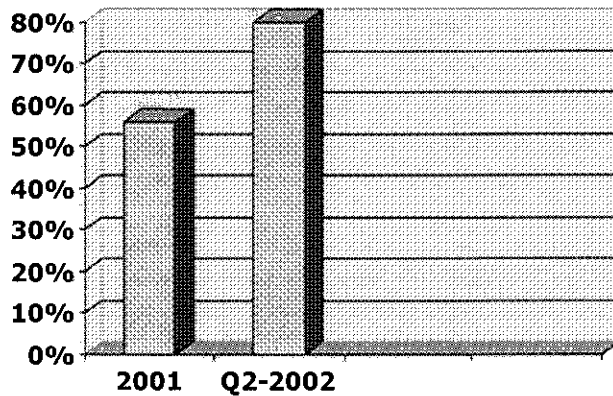
Average Police Response Time (in Minutes)



Average Number of Officers on Patrol



Percent of Motorists Driving Within Speed Limit Due to Speed Humps



Throughout the year departments are using performance measures to report their results. Depending on the nature of the data, some is being reported quarterly, every six months, or once a year. Because departments started collecting performance data in January 2002, some data may not be available yet. Performance information, as well as each department's strategic framework, is available on the Municipality's web page (www.muni.org—click on "Investing for Results"). Each web page invites citizen comments and questions. We are especially interested in learning if there are other results you believe a program or department should be reporting.

Manage Results to Improve Services

In addition to communicating to citizens the return on investment of their tax dollars in terms of services, tracking performance is a valuable tool used to improve services (without necessarily requiring more money!). Investing for Results! is not about doing the same things, the same way, and not being surprised when the results don't change. What it is about, is focusing program managers on how they are doing today and if they need to make management decisions get improved results. Investing for Results! is being accountable for doing the right things—and doing them well.

2003 Spending Proposal

The proposed 2003 general government operating budget is \$7.3 million more than was approved for 2002. This includes a \$728,240 increase in debt service for voter-approved bonds and an additional \$2.3 million to operate a new fire station (Baxter and Tudor).

While the growth in revenues limits spending, the good news is that the Municipality is starting to realize savings from investment in technology, reorganizations, and process re-engineering. For example:

- The Purchasing Department implemented a Procurement card system in 2002 by which departments charge small purchases, thereby reducing paperwork. When compared to the same period in 2001, there has been a 39% reduction in purchase order activity and a 47% reduction in requisition activity.
- Implementation of Procurement cards also reduced the volume of cash disbursements by approximately 40%, which reduced the Finance Department's workload. In addition, the department is implementing a new workflow for accounts payable and cash receipts that will allow transactions to be entered and approved at the source rather than as a centralized activity. The department will save \$212,730 and be able to eliminate four positions in 2003.
- During 2002 Finance launched a web-based property tax payment system. Over 50% of all property tax payments are received from mortgage companies. These payments are now made via the World Wide Web, which eliminated a 25-year old manual process and allows tax payments to be recorded within three days compared to two weeks or more under the old system. This results in a savings of \$48,890 and elimination of one position.
- The Finance Department combined the Treasury and Property Appraisal customer service counters (instead of two counters on separate floors). Fewer staff will be necessary to provide the same level of customer service. In peak times, temporary employees will be hired to ensure satisfactory customer service continues. This saves \$91,570 in the 2003 budget and eliminates two clerical positions.

These are examples of where spending less does not mean reduced service and reflects the kind of common sense decisions that citizens expect their government to make. But more importantly, department and program managers are continuously focused on getting the best return they can on public dollars invested in delivering quality services to citizens.

Details about the 2003 operating budget follow. The Administration has carefully balanced the many competing demands for municipal dollars and believes the proposed budget meets the expectations of citizens—doing the right things at the right price.

**2003 PROPOSED BUDGET
COMPARED TO 2002 REVISED**

	2002 REVISED BUDGET (After Veto, Override & Supplemental) (1)	2003 PROPOSED BUDGET	2003 Proposed Budget vs. 2002 Revised Budget
<u>EXPENDITURES</u>			
Departments (Direct Costs)	\$ 239,162,810	\$ 245,720,430	\$ 6,557,620
Voter-Approved Debt Service (2)	35,286,390	36,014,630	728,240
Total Expenditures	\$ 274,449,200	\$ 281,735,060	\$ 7,285,860
 <u>REVENUES</u>			
Non-Property Taxes:			
State	12,181,140	11,990,340	(190,800)
Federal	486,570	487,170	600
Program	36,532,770	36,941,680	408,910
Taxes, Interest, Other	45,303,000	41,682,330	(3,620,670)
IGC's to Non-General Government	18,498,810	19,443,040	944,230
Applied Fund Balance	1,750,070	1,775,760	25,690
Total Non-Property Taxes	\$ 114,752,360	\$ 112,320,320	\$ (2,432,040)
 PROPERTY TAXES	 \$ 159,696,840	 \$ 169,414,740	 \$ 9,717,900

(1) Includes supplemental through 5/31/02

(2) Voter-Approved Debt Service Only (Excludes Fiscal Agency Fees)

**2003 Proposed General Government Operating Budget by Department
Compared with 2002 Revised Budget**

Department	2002 Revised (5/31/02)		2003 Proposed		Difference, 2003 less 2002	
	Operating	Debt Service	Operating	Debt Service	Operating	Debt Service
Assembly ⁽¹⁾	\$ 2,143,870		\$ 2,020,820		\$ (123,050)	
Cultural & Recreational Svcs	18,444,550	2,911,530	18,464,580	2,527,310	20,030	(384,220)
Development Services ⁽²⁾	7,854,440		6,511,000		(1,343,440)	-
Employee Relations	3,291,790		3,681,320		389,530	-
Equal Rights	488,880		523,670		34,790	-
Finance	14,624,640		15,228,200		603,560	-
Fire	38,983,350	1,992,630	41,109,910	2,298,270	2,126,560	305,640
Health & Human Services	10,369,480	1,584,530	10,981,020	1,601,990	611,540	17,460
Information Technology	12,807,080	81,600	13,618,090	81,600	811,010	-
Internal Audit	381,000		346,020		(34,980)	-
Maintenance & Operations ⁽³⁾	38,091,740	27,872,850	36,907,660	28,516,120	(1,184,080)	643,270
Mayor	9,045,550		8,808,050		(237,500)	-
Municipal Attorney	3,940,980		4,182,390		241,410	-
Municipal Manager	1,619,780	393,060	1,690,820	517,480	71,040	124,420
Planning ⁽⁴⁾	2,432,350		2,749,470		317,120	-
Planning, Dev, and PW ⁽⁵⁾	554,080	151,050	1,958,100	246,790	1,404,020	95,740
Police	46,390,480	235,510	47,407,680	234,340	1,017,200	(1,170)
Proj Mgmt & Engineering	5,067,000		5,384,360		317,360	-
Public Transportation	11,496,590	166,680	11,786,430	165,480	289,840	(1,200)
Purchasing	1,149,580		1,220,790		71,210	-
Real Estate	5,357,260		6,044,540		687,280	-
Traffic	4,525,290		4,920,760		395,470	-
Totals	\$239,059,760	\$35,389,440	\$245,545,680	\$36,189,380	\$ 6,485,920	\$ 799,940

- (1) The amount requested by the Assembly Department for their 2003 budget is \$2.4 million.
- (2) Effective for 2003 Development Services is transferring four functions with a cost of \$1 million to the Office of Planning, Development and Public Works and Planning Department.
- (3) Effective in 2003 the former Facility Management and Street Maintenance Departments are combined to form the new Maintenance and Operations Department.
- (4) Effective for 2003 the Planning Department is transferring a program to the Office of Planning, Development and Public Works and receiving one program from the Development Services Department for a net increase in cost of \$.25 million.
- (5) Effective for 2003 the Office of Planning, Development and Public Works is absorbing one program from the Planning Department and four from the Development Services Department with a resulting budget increase of \$1.5 million.

2003 Proposed General Government Operating Budget

PERSONNEL SUMMARY

Department	2002 Revised Budget				2003 Proposed Budget				Net Change in Positions
	FT	PT	Temp	Total	FT	PT	Temp	Total	Total
Assembly	25	0	0	25	28	0	0	28	3
Cultural and Recreational Services	160	120	135	415	157	113	105	375	(40)
Development Services ^{(3), (4)}	104	3	1	108	80	4	1	85	(23)
Employee Relations	27	1	0	28	26	1	0	27	(1)
Equal Rights Commission	6	0	0	6	6	0	1	7	1
Facility Management ⁽¹⁾	81	0	5	86	0	0	0	0	(86)
Finance	106	0	0	106	101	0	6	107	1
Fire	384	1	0	385	408	0	0	408	23
Health and Human Services	66	14	0	80	67	12	0	79	(1)
Information Technology	80	0	0	80	80	0	0	80	0
Internal Audit	4	1	0	5	4	1	0	5	0
Maintenance and Operations ⁽¹⁾					207	6	29	242	242
Mayor	8	0	0	8	8	0	0	8	0
Municipal Attorney	53	0	0	53	53	0	0	53	0
Municipal Manager	19	3	0	22	19	3	0	22	0
Planning ^{(3), (4)}	27	1	0	28	31	0	0	31	3
Planning, Development & Public Works ⁽⁴⁾	4	0	0	4	21	0	0	21	17
Police ⁽²⁾	519	0	0	519	532	0	0	532	13
Project Management & Engineering	53	0	2	55	54	0	2	56	1
Public Transportation	136	0	0	136	138	0	0	138	2
Purchasing	15	0	0	15	14	0	0	14	(1)
Real Estate	6	1	0	7	6	1	0	7	0
Street Maintenance ⁽¹⁾	127	6	43	176	0	0	0	0	(176)
Traffic	50	0	0	50	49	0	0	49	(1)
Total	2,060	151	186	2,397	2,089	141	144	2,374	(23)

(1) Facility Management and Street Maintenance Departments merged into the new Maintenance and Operations Department for 2003.

(2) The Anchorage Police Department personnel in 2003 includes 13 new officers for the COPS in Schools Program that are partially funded by a Federal Grant.

(3) Positions from Development Services' Land Use Enforcement and Plat Review sections were transferred to the Planning Department for 2003.

(4) Positions from Planning Department's Technical Services section and from Development Services' Technical Services section were transferred to the Office of Planning, Development & Public Works for 2003.