

BUDGET OVERVIEW

Overview of the 2004 General Government Operating Budget

The primary goal of the Municipality of Anchorage's operating budget is to fund core services, from transportation and public safety to health and cultural and recreational activities. The Municipality must provide these services within the fiscal limitations of the Citizen's Tax Cap. Generally, the funding for government-provided services is designed to grow at a rate commensurate with the growth of the city, as measured by our tax cap.

For Fiscal Year 2004, however, Municipal government must adjust to several significant new impacts to revenues and expenses, resulting in a projected \$33 million budget gap. Some of causes of this gap are permanent changes, such as the State's elimination of Revenue Sharing funding (\$10.4 million).

Other changes may be one-time problems, but we cannot be sure. For example, the Municipality is required to fund the Police and Fire Retirement Fund in the event of an investment return shortfall. This year will be the first year in the last 10 years that a contribution will be necessary (\$3.8 million), due to poor stock and bond market returns. An actuarial review will occur in the spring to determine if additional funding will be required in 2005. Another example involves market returns received on short-term cash balances. The returns have been at the lowest rates earned in the past 45 years. These are applied against cash balances that are lower than in past years, due to previous Administration's reliance on one-time fund balance monies, resulting in a \$3.8 million shortfall. No one knows for sure if rates will return to higher levels in future years.

As a result, the Municipality has adapted to these changed conditions. This budget attempts to accomplish the following three actions:

- (1) Close the projected 2004 fiscal gap and balance the budget.
- (2) Deliver core services.
- (3) Keep Anchorage's economy healthy.

In addition, it is our goal to reduce or eliminate reliance on one-time monies to apply toward long-term problems. Our goal is to use one-time revenue streams to solve one-time cost issues. In this way, we can "right-size" our budget to a level of service that is sustainable long-term within our tax cap.

Our efforts are directed toward accomplishing these goals using a number of approaches. They include:

- (1) Providing similar or improved service for less cost to taxpayers.
- (2) Reducing the Municipal-wide cost of doing business.
- (3) Increasing fees and fines to levels that cover the costs of providing certain services.
- (4) Reducing non-core services.

Providing similar or improved services for less cost to taxpayers

Reducing costs in the delivery of services is a much better approach than actually eliminating the service. If one can find ways of performing a service more efficiently, costs are reduced to taxpayers, and the community does not have to absorb the loss of Municipal support.

A number of initiatives are underway to achieve this desired result. Departmental restructuring has begun in numerous departments with the goal of reducing costs and increasing net revenues. For instance, the Municipal Library system is reducing its direct cost budget versus 2003 by \$450,000. The Community will suffer no closed library branches, will maintain its circulation levels, and will be open similar hours to those during 2003. This has been accomplished by comparing the size and mix of staff to those of other cities our size, with similar numbers of library branches. By determining the value to the community of certain types of costs, we are achieving cost-reduction with negligible service reduction.

The Treasury Department will add a few staff members and a collection agency to its ranks. This group has not had enough staff to ensure that collections occur. As a result, unpaid fines and fees for over 21,000 people have added up to \$20 million through 2003, shifting the tax burden and service reduction issues to other citizens who behave more responsibly. By opening a web site, adding collections staff, and adding a collection agency, the Municipality expects to collect some of these fines and eliminate the problem in the future.

A similar effort is occurring in the Assessor's Office. By adding a few staff members, the Municipality expects to be able to appraise many more properties than it does today. If newly improved properties are appraised correctly, the tax base increases with no corresponding impact to other properties. This will preserve services each year, because a broader spectrum of businesses and homeowners will be paying the proper amounts of tax.

Employee Relations is in the process of upgrading its service delivery based upon technology upgrades. For example, instead of re-inputting new employee data received after initial orientations are complete from employee's handwritten forms, it is more efficient to have employees type in their own data. Benefit election changes could be revised by employees using on-line means. Calculations of deferred income matches are now being calculated electronically. Employee applications are in the process of being put on-line, so that prospective employees can review open positions and apply from their own homes.

Parks and Recreation is in the process of improving its service delivery through reorganization. As a result, better service in local neighborhoods should occur, as costs are reduced.

Reducing the Municipal-wide cost of doing business

Many similar elements of cost occur across multiple departments. For instance, employees fill out timesheets to record their time. Health insurance benefits are received by employees. Data input employees often have similar difficulties with computer input processes. Most departments procure supplies and other products to perform their assigned tasks. These items need to be evaluated to determine if efficiencies can be implemented.

Currently, Municipal employees fill out manual timesheets which are typed into the computer by clerks. As a result, some level of data input is required by about 40 employees to enter time and attendance data into the computer. This is inefficient and costly. By utilizing an electronic timecard, where employees fill out their timesheets into the computer instead of on paper timesheets, this process can be streamlined.

The Municipality has five active healthcare plans. Specialists have advised us that by reducing the number of programs to one or two, while providing the same healthcare benefits, costs will drop. This is because there would be more employees in the same plan. Our goal will be to resolve this inefficiency this year.

The Municipality has tremendous computer systems, but the interface between inputting data and pulling data out of the computer is less productive than it could be. Assessments of departments needing large staffs of clerical support will be evaluated for process improvement efforts this year.

The cost of basic materials, supplies, and products that are procured by the Municipality is too high. By projecting our long-term needs, and modifying our procurement approach, the Municipality may be able to reduce these costs.

These and other improvement projects are planned for evaluation and/or implementation during the balance of 2003 and 2004. The Municipality is committed to providing service at the lowest possible cost to taxpayers.

Increasing fees and fines to levels that cover the costs of providing certain services

Fees are necessary to ensure that citizens who use certain services pay for the use of that service. Otherwise, taxpayers would pay for services that they do not use. In the current fiscal environment, discontinuing these fees would mean a large reduction in other types of core government services.

Fees and fines in several departments are being reviewed. We have learned that many of our normal fees and fines are less than those charged in other cities our size. Also, full-cost recovery for these services is being sought, to ensure that taxpayers are not forced to subsidize these services. Examples are fees for parks and recreation usage, zoning and platting services, and development and city planning. Also, individuals who do not pay their city bills will experience higher late fees to cover the increased costs of administration. We have determined that our parking and moving violation fines are

significantly below those charged in similarly sized cities. Other cities charge higher traffic fees to provide an incentive for citizens to drive more safely; there is an inverse relationship between the number of tickets written and the number of traffic accidents. This year, drive carefully – you will be safer, and it will cost you less!

Reducing non-core services

Ultimately, when revenues are not sufficient to offset costs, services must be cut. Many departments will experience reductions in services this year. These reductions range from small changes, such as slightly longer waits in lines and slower response times to citizen's requests, to more significant impacts like the movement of fire engines from existing fire stations to new stations opening this year. This change to the Fire Department will actually improve "initial responder" service to a few areas, since two new stations will open this year, and more area coverage will occur. However, for "second responder" engines and emergency vehicles, response time will likely be slower, since assets will be more widely distributed.

2004 PROPOSED BUDGET COMPARED TO 2003 REVISED

	2003 REVISED BUDGET (After 1st Qtr & Supplementals) (1)	2004 PROPOSED BUDGET	2004 Proposed Budget vs. 2003 Revised Budget
<u>EXPENDITURES</u>			
Departments (Direct Costs)	\$ 251,806,115	\$ 267,053,130	\$ 15,247,015
Voter-Approved Debt Service (2)	37,422,220	39,770,600	2,348,380
Total Expenditures	\$ 289,228,335	\$ 306,823,730	\$ 17,595,395
<u>REVENUES</u>			
Non-Property Taxes:			
State	11,990,340	1,389,820	(10,600,520)
Federal	491,840	501,340	9,500
Program	36,389,920	47,145,050	10,755,130
Taxes, Interest, Other	45,164,440	43,126,380	(2,038,060)
IGC's to Non-General Government	20,383,940	21,333,310	949,370
Applied Fund Balance(fund 601)	841,130	3,500,000	2,658,870
Applied Fund Balance(fund 181)	150,540	3,000,000	2,849,460
Applied Fund Balance(5 major funds)	2,481,365	-	(2,481,365)
Total Non-Property Taxes	\$ 117,893,515	\$ 119,995,900	\$ 2,102,385
PROPERTY TAXES	\$ 171,334,820	\$ 186,827,830	\$ 15,493,010
Property tax cap	171,334,820	187,584,440	
(Over)/Under tax cap	\$ 0	\$ 756,610	

(1) Includes supplemental through 5/31/03

(2) Voter-Approved Debt Service Only (excludes fiscal agency fees and other long-term debt costs)

2004 Proposed General Government Operating Budget

PERSONNEL SUMMARY

Department	2003 Revised Budget				2004 Proposed Budget				Net Change in Positions
	FT	PT	Temp	Total	FT	PT	Temp	Total	Total
Assembly	28	-	-	28	27	-	-	27	(1)
Chief Fiscal Officer	-	-	-	-	14	-	-	14	14
Cultural and Recreational Services	157	112	107	376	-	-	-	-	(376)
Development Services	81	3	1	85	84	3	1	88	3
Economic and Community Development	-	-	-	-	137	106	107	350	350
Employee Relations	29	1	-	30	21	1	-	22	(8)
Equal Rights Commission	6	1	-	7	5	2	-	7	-
Finance	101	-	6	107	102	-	-	102	(5)
Fire	406	-	-	406	336	-	-	336	(70)
Health and Human Services	73	7	-	80	72	6	-	78	(2)
Information Technology	80	-	-	80	66	-	-	66	(14)
Internal Audit	4	1	-	5	4	1	-	5	-
Maintenance and Operations	209	6	28	243	208	6	28	242	(1)
Management and Budget	-	-	-	-	8	-	-	8	8
Mayor	8	-	-	8	14	-	2	16	8
Municipal Attorney	54	-	-	54	48	-	-	48	(6)
Municipal Manager	19	3	-	22	13	3	-	16	(6)
Planning	31	-	-	31	49	-	-	49	18
Planning, Development & Public Works	21	-	-	21	-	-	-	-	(21)
Police	520	-	-	520	493	-	-	493	(27)
Police and Fire Retirement	-	-	-	-	3	1	-	4	57
Project Management & Engineering	55	-	1	56	56	-	1	57	1
Public Transportation	138	-	-	138	143	-	-	143	5
Purchasing	14	-	-	14	14	-	-	14	-
Real Estate	6	1	-	7	6	1	-	7	-
Traffic	51	-	2	53	49	-	2	51	(2)
Total	2,091	135	145	2,371	1,972	130	141	2,243	(75)