



MUNICIPALITY OF ANCHORAGE

ASSEMBLY INFORMATION MEMORANDUM

AIM No. 180-2020

Meeting Date: December 8, 2020

From: Mayor

Subject: 2020 3rd Quarter Expenditure Reports for General Government, Utility, and Enterprise Departments

The following is the status of department spending through September 30, 2020.

Note that the budgets included in these reports are full year budgets and include Assembly approved budget actions through October 13. The activity in some departments is expected to change greatly in the 4th Quarter for the following reasons:

- First responder payroll budget and actuals that is funded by the CARES Act will be moved from the operating funds to the grant fund; this will affect the Police and Fire departments.
- COVID-19 pandemic relief programs will be funded with fund balance and budgeted and transacted in the operating funds; this will affect multiple departments, including Office of Economic Development, Health, Parks & Recreation, and Real Estate.
- COVID-19 response activity that is not FEMA eligible will be moved from the COVID-19 Response Emergency Fund to the operating funds; this will affect multiple departments.
- Municipal Light & Power sale impacts will be posted in October; the Assembly approved budgets are included in these reports and may be adjusted down, in line with the actual transactions; this will affect multiple departments, including Chief Financial Officer, Human Resources, and Municipal Light & Power (ML&P).
- Year-end leave cash-ins will post in December and are anticipated to be higher than usual due to fewer employees taking leave due to the COVID-19 pandemic; this will affect multiple departments.

Budget to Actuals – General Government Departments:

At the end of September (75.1% through the fiscal year, with 72.3% labor posted), departments have spent 66.3% of the total budget. A further breakdown of expenditures and encumbrances shows that 76.2% of the labor budget is spent while 64.8% in non-labor is spent or encumbered.

The following departments have positive or negative variances of five percent or more (<70.1% or >80.1) from the percent through the year (75.1%).

Chief Fiscal Officer – is 15.0% spent due to the administration of the ML&P sale, Pay for Success, and Stormwater facility projects that are to be spent in the 4th quarter of the year.

Equal Rights Commission – is 64.4% spent due to position vacancies. One position was vacant from January through mid-March and another position became vacant in mid-July which remains vacant today.

1
2 Finance – is 68.5% spent due to vacancies.

3
4 Fire – is 88.5% spent due to an increase in leave cash-outs, physicals, a payment to complete
5 setting in place the SEMT program, legal settlements, an increase in medical supply
6 costs, Utility payments, COVID-19 related costs from March to early May, and COVID-19
7 related overtime.

8
9 Health – is 22.4% spent due to a lag time in the monthly payments to some major contracts
10 and COVID-19 related programs. The department encumbers several large contracts at the
11 beginning of the year that will be spent down throughout the year and the variance is expected
12 to fall in line as the year progresses.

13
14 Human Resources – is 31.0% spent due to the contribution to worker's compensation fund for
15 recovery settlements that has not been processed yet and employment matters related to the
16 ML&P sale that will be paid in October. The department is projected to be fully spent by year-
17 end.

18
19 Information Technology – is 41.7% spent due to major contracts to be paid later in the year.

20
21 Internal Audit – is 66.2% spent due to vacancies between March and June. During this time,
22 employees from the department were assigned to assist at the Emergency Operations Center.

23
24 Library – is 64.8% spent due to vacancies, COVID-19 internal order absorbing payroll, and
25 projects that are to be completed later in the year.

26
27 Maintenance & Operations – is 80.8% spent due to Anchorage Roads and Drainage Service
28 Area (ARDSA) debt service expenditures are at 99% year-to-date while accounting for 46% of
29 the budget. Other direct cost operating budgets are at or within year-to-date percentages.

30
31 Mayor – is 60.6% spent due to a reduction in labor costs and over-all reduction of non-labor
32 expenses due to the COVID-19 situation.

33
34 Municipal Attorney – 69.8% spent due to projects that are to be spent later in the year and less
35 office supplies and expenditures are being purchased due to less people being in the office
36 physically.

37
38 Municipal Manager – is 81.9% spent due to higher year-to-date costs in self-insurance for
39 workers compensation payments, general liability, insurance, and miscellaneous expenses.

40
41 Parks & Recreation – is 61.4% spent due to unfilled budgeted positions that the department is
42 in the process of filling or reclassifying, closure of facilities, and precautionary spending
43 reductions in preparation of unknown COVID-19 challenges, expenses, and programs.

44
45 Planning – is 69.4% spent due to the Land Use Review Section requiring substantial overtime
46 to maintain required turnaround time on reviews. The department was conservative with non-

1 labor spending to ensure they have sufficient reserves for labor. The department is projected
2 to be fully spent by year-end.

3 Police – is 80.7% spent due to the department typically utilizes more overtime each year than
4 is historically budgeted. This overtime is largely related to call-outs, investigations, and court
5 activity. The department has also experienced a large volume of leave cash-outs resulting
6 from the SAP settlement between the MOA and APDEA with awarded leave. Non-labor
7 expenditures related to cellular data for Officers and vehicle towing have also exceeded the
8 department's budgeted amounts for 2020.

9
10 Project Management & Engineering – is 64.1% spent due to contractual services expenses
11 incurred later in the summer construction season. Expect expenditures to catch up to year-to-
12 date budget percentage as construction season comes to a close.

13
14 Public Transportation – is 66.1% spent due to reduced labor activity from the temporary service
15 shut down and pending encumbrance/payable activity not yet posted.

16
17 Public Works Administration – is 68.6% spent due to reduced computer and office equipment
18 replacements, equipment repairs and servicing, and office supply orders are lower due to much
19 of the staff working from home, resulting in lower than normal year-to-date expenditures.

20
21 Purchasing – is 67.4% spent due to some vacancies and lack of surplus auctions this year.

22
23 Real Estate – is 31.5% spent due to the economic impact of the COVID-19 shutdown, the
24 department suspended the foreclosure process, which resulted in significantly less
25 expenditures. COVID-19 related programs are included in the department budget and are
26 expected to be spent in the 4th quarter of 2020.

27
28 Traffic Engineering – is 67.4% spent due to position vacancies and contractual services
29 expenses, equipment, and supply purchases being incurred later in the summer construction
30 season. Expect expenditures to catch up to year-to-date budget percentage as construction
31 season comes to a close.

32
33 Convention Center – is 27.7% spent due to timing of incremental payments throughout the year
34 to vendors under Use Agreements and Management Agreements, with the bulk of activity
35 expected to post November/December.

36
37 TANS Expense – is 16.5% spent due to timing of payments. The 2020 payment is expected
38 to post in December.

39
40 **Budget to Actuals – Utility and Enterprise Departments:**

41 Important to recognize that as of June 30, ML&P was budgeted for seven months (January –
42 July) in anticipation of a July 30, 2020 sale close date. On October 13, 2020, due to the
43 uncertainty of the sale close date, the Assembly approved the reinstatement of a full year
44 budget for ML&P.

45
46 **Revenues** – while most departments are on track with the collected revenues:
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1 Merrill Field Airport – is at 69.0% and will be satisfied in the next quarter once the CARES Act
2 funding is posted.

3 Municipal Light & Power – Electric – is at 62.2%, based on full year budget, due to insufficient
4 gas production to make Sales for Resale and lower Commercial Sales due to COVID-19
5 emergency.

6
7 Municipal Light & Power – Gas – is at 63.0%, based on full year budget, due to insufficient gas
8 production to make Sales for Resale.

9
10 Solid Waste Services – Disposal – is at 81.2% due to non-cash realized and unrealized gains
11 on the landfill closure investment funds and may continue to fluctuate based upon the market.
12 The Utility also realized a larger than expected share of interest in the general cash pool.
13 Additionally, Landfill Gas Revenue is higher than expected on the amount of gas that has been
14 sold under the contract.

15
16 **Expenses** – Encumbrances are not included in the year-to-date actuals for Utility and
17 Enterprise Departments.

18
19 Anchorage Wastewater Utility – is 65.6% spent due to vacancies, annual capital expenditures,
20 pave and patch, landscaping, and contracted services do not typically post as expenses until
21 the 4th quarter of the fiscal year due to timing of the projects. Also, AWWU has been able to
22 delay borrowing needs to later in the year than originally planned, thus reducing debt service
23 expenses. Depreciation will increase later in the year, as completed assets for 2020 get placed
24 into service.

25
26 Anchorage Water Utility – is 63.0% spent due to vacancies, annual capital expenditures, pave
27 and patch, landscaping, and contracted services do not typically post as expenses until the 4th
28 quarter of the fiscal year due to timing of the projects. Also, AWWU has been able to delay
29 borrowing needs to later in the year than originally planned, thus reducing debt service
30 expenses. Depreciation will increase later in the year, as completed assets for 2020 get placed
31 into service.

32
33 Merrill Field Airport – is 66.6% spent due to contracts that will be paid in the 4th quarter of 2020.

34
35 Municipal Light & Power – Electric – is 37.5% spent, based on full year budget, due to
36 insufficient gas production to make Sales for Resale, labor vacancies due to the pending sale
37 of the Utility to Chugach Electric, and an increase in budgeted Contributions in Other Funds
38 scheduled to be made post sale.

39
40 Municipal Light & Power – Gas – is 57.8% spent, based on full year budget, due to lower
41 Production expenses at Beluga River Unit for the year-to-date.

42
43 Port of Alaska – is 55.5% spent due to the lower than actual costs for legal expenses, and
44 budgeted repair and maintenance expenses that are scheduled to be completed and invoiced
45 in the 4th quarter of the year. The Port expects these expenses to be on budget for 2020.

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1 Solid Waste Services – Disposal – is 66.2% spent due to lower than expected gasoline and
2 diesel prices and lag in billing from some of the guaranteed maintenance contracts in the non-
3 labor accounts. Additionally, interest on debt is much lower than anticipated due to lags in
4 invoices received by the Utility for construction on the new Central Transfer Station, delaying
5 the timeframe in which the Utility made draws on debt.

6
7 Solid Waste Services – Refuse – is 64.5% spent due to lower than expected repair and
8 maintenance supply costs, and reduced labor costs due to vacant equipment operator positions
9 that are expected to be filled in the 4th quarter of 2020. Additionally, interest on debt is much
10 lower than anticipated due to lags in invoices received by the Utility for construction on the new
11 Central Transfer Station, delaying the timeframe in which the Utility made draws on debt.

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14 Prepared by: Office of Management & Budget (OMB)
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