

ANCHORAGE, ALASKA
AR No. 2023-304, As Amended

1 **A RESOLUTION OF THE ANCHORAGE ASSEMBLY SETTING A POLICY**
2 **POSITION FOR THE FY 2024 MUNICIPAL BUDGETS AS A CONTINUATION**
3 **BUDGET AND IDENTIFIED PRIORITIES.**
4

5 **WHEREAS**, the Assembly is the Municipality's appropriating body and approves the
6 annual municipal budgets; and
7

8 **WHEREAS**, the most recent 3-Year Economic Outlook published by the Anchorage
9 Economic Development Corporation (AEDC) in August 2023 forecasts a sustained
10 strong outlook for the visitor industry, and modest growth in vehicle and room rental
11 tax revenues to the Municipality¹, and monthly trends in hotel occupancy and room
12 rental tax published by Visit Anchorage shows strong performance in both hotels
13 and other short-term rentals as of June 2023;² and
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15 **WHEREAS**, at the Budget and Finance Committee-of-the-Whole meeting on August
16 17, 2023, the Treasury Department anticipated continued strong performance of
17 revenues related to the tourism and hospitality industry, including room rental tax,
18 vehicle rental tax, and alcohol tax; and
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20 **WHEREAS**, as part of the FY 2024 proposed budget guidance for departments, the
21 Administration directed all departments to prepare 3 budget scenarios from their FY
22 2023 Revised Budget, including a flat budget and cuts of 2% and 4%; and
23

24 **WHEREAS**, the Administration has published the 2024 Preliminary 120 Day Memo
25 on September 1, 2023, positing relatively flat preliminary revenue estimates despite
26 strong economic forecasts and stating their priority to maintain the level of public
27 services the residents of Anchorage expect, while reducing department budgets
28 despite considerable vacancies within departments likely resulting in a considerable
29 underspend of the 2023 budget and creating a surplus for 2024; and
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31 **WHEREAS**, the 120 Day Memo suggests a Consumer Price Index (CPI) five year
32 average of 2.8%. The required formula for CPI calculation does not provide
33 adequate consideration of recent higher inflation and further constrains the
34 Municipality's ability to address wages and other cost increases, even at a
35 continuation level, and is effectively a required cut from last year; and
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37 **WHEREAS**, the 120 Day Memo does not include all legal settlements from 2023,
38 most notably the settle to Hickel Contracting in the amount of \$2.45million dollars

¹ Anchorage Economic Development Corporation (AEDC) 2023 3-Year Outlook, published August 2023,
available online at: [2023 3-Year Economic Outlook Report – AEDC \(aedcweb.com\)](https://aedcweb.com)

² Visit Anchorage, "June 2023 Hotel Performance," published July 21, 2023. Available online at: [June 2023 Hotel Performance for Anchorage](https://www.visitanchorage.com)

1 which will require additional taxation about the tax cap; and

2
3 **WHEREAS**, AIM 165-2023 -2023 2nd Quarter Expenditures Reports for General
4 Government, Utility, and Enterprise Departments, presented at the August 22, 2023
5 meeting, indicates that the Municipality's workforce continues to experience
6 negative impacts to productivity due to persistent high vacancies across
7 departments, which has led to requiring additional capacity through hiring
8 contractors, and additional strain on remaining workers to perform essential
9 functions; and

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11 **WHEREAS**, AIM 165-2023 also indicates a difficulty for Municipal departments to
12 effectively use their budget. At the end of June 2023 (50% through the fiscal year),
13 departments had spent only 37.9% of the total budget; and

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15 **WHEREAS**, Proposition 14, approved by Anchorage voters in April 2023, dedicates
16 the net proceeds of the marijuana sales tax to support and advance child care and
17 early education, removes it from the tax increase limitation, and achieves the policy
18 goal of limiting impacts to property taxes with a one-time reduction of the tax cap by
19 \$1 million in FY 2024; and

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21 **WHEREAS**, a supplemental appropriation in first quarter of 2023 anticipated the
22 impacts of Proposition 14 ensuring that \$1million of the taxing capacity of the
23 Municipality was in one-time expenditures so that it could be available for the
24 reduction of the tax cap; and

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26 **WHEREAS**, through Assembly amendments, prior municipal budgets have
27 continued to ensure the Municipality adequately funds core public services,
28 including reversal of proposed harmful cuts to public safety and road maintenance;
29 now, therefore

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31 **THE ANCHORAGE ASSEMBLY RESOLVES:**

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33 **Section 1.** The Assembly requests the Administration to prepare for a
34 continuation budget for FY 2024, using the following policy statements as
35 assumptions

- 36 1. The basis for the FY 2024 budget will be a continuation budget.
- 37 2. Ensure adequate funding for core municipal services, including:
 - 38 a. Winter maintenance, including snow plowing of roads, public transit
 - 39 locations and sidewalks;
 - 40 b. Public safety and emergency services;
 - 41 c. Fiscal responsibility, including efficient use of resources and the
 - 42 highest return on investment for public dollars spent;
 - 43 d. Encouraging recruitment and retention of employees to fill current
 - 44 vacancies and reduce turnover and provide opportunities for
 - 45 employee development position the Municipality as a more
 - 46 competitive employer;
 - 47 e. Maintaining a high level of service across all departments; and
 - 48 f. Public access to Assembly meetings, through streaming,
 - 49 broadcasting, and/or other means.
- 50 3. Policy choices for the general government operating budget do not apply to

the enterprise and utilities' budgets, as they bring in revenue to offset expenditures.

- 4. To the greatest extent possible balancing funding priorities among the three dedicated areas of the alcohol tax equally.
- 5. Look for ways to support housing development and continued opportunities to address the housing crisis.
- 6. Appropriately bond for capital improvement projects based on the Capital Improvement Program and not overly rely on requesting the funding from the state where projects could be delayed.
- 7. Revenue earned by the Anchorage Fire Department, i.e. SEMT and ambulance transport fees, are for the operation and capital needs of AFD and should not be used as a revenue source for other general government needs. Increase to AFD revenue earned should not result in a reduction of other funding sources to AFD.
- 8. As part of the 2024 budgeting process, 2022 year-end closeout should be complete and provide fund balances for all fund sources so that the Assembly may strategically consider how to leverage the available funding.

Section 2. If a continuation budget is not prepared, the Assembly will prepare a budget following the policy statements identified in Section 1.

Section 3. This resolution shall be effective immediately upon passage and approval by the Assembly.

PASSED AND APPROVED by the Anchorage Assembly this 12th day of September, 2023.



Chair

ATTEST:



Municipal Clerk



MUNICIPALITY OF ANCHORAGE ASSEMBLY MEMORANDUM

No. AM 690-2023

Meeting Date: September 12, 2023

From: Assembly Members Brawley and Zaletel

Subject: A RESOLUTION OF THE ANCHORAGE ASSEMBLY SETTING A POLICY POSITION FOR THE FY 2024 MUNICIPAL BUDGETS AS A CONTINUATION BUDGET AND IDENTIFIED PRIORITIES.

This resolution sets out a preliminary policy position and broad parameters for the Assembly's intended approach to the Municipality's FY24 operating, capital, and enterprise and utilities budgets, in response to the Mayor's 2024 Preliminary 120 Day Memo published on September 1, 2023, and in advance of the introduction of the draft FY24 budget on October 2, 2023.

KEY ASSUMPTIONS

- Based on available projections, we anticipate 2023 to be another strong year for the visitor industry, including tourism and business travel, with corresponding performance in vehicle rental, room rental, and alcohol taxes.
- Inflation appears to be slowing down from 2022, but the latest available data from the Alaska Department of Labor and Workforce Development indicates cost of living has continued to increase in Anchorage and statewide, with some categories (such as housing) significantly above the CPI average, which impacts the purchasing power of employee wages.
- While audited financials are not yet available for FY22, a continued pattern of high vacancies across departments indicates likely underspending in the operating budget overall. FY23 appears to continue this trend.
- Vacant positions represent the number of employees the Municipality does not have on staff to conduct the business of the city: this leads to a lower level of service, impacts on remaining employees, and a loss of institutional knowledge when experienced employees leave in significant numbers. Therefore, vacant positions are not simply additional opportunities for cost savings, they are inefficiencies that contribute to costs in other areas.

The Mayor's 2024 Preliminary 120 Day Memo is located at:

<https://www.muni.org/Departments/budget/operatingBudget/2024%20GGOB/2024%20120%20Day%20Memo%20Signed%20by%20Mayor%20and%20Stamped%20by%20Clerk.pdf>

We request your support for the resolution.

Reviewed by: Desirea C. Camacho, Assembly Budget Analyst

Respectfully submitted: Meg Zaletel, Assembly Vice Chair
District 4, Midtown Anchorage
Anna Brawley, Assembly Member
District 3, West Anchorage