MUNICIPALITY OF ANCHORAGE

OFFICE OF THE MAYOR

MEMORANDUM

DATE: November 30, 2021

TO: Anchorage Assembly
Suzanne LaFrance, Assembly Chair

FROM: Mayor Dave Bronson

SUBJECT: Vetoes of AO 2021-96

Pursuant to the authority vested in me by Charter section 5.02(c), I hereby, by veto, strike or reduce the following amendments to **AO 2021-96: AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE ADOPTING AND APPROPRIATING FUNDS FOR THE 2022 GENERAL GOVERNMENT OPERATING BUDGET FOR THE MUNICIPALITY OF ANCHORAGE,** that were moved and approved by the Assembly at the meeting of November 23, 2021.

These vetoes keep the 2022 budget in line with my administration's priorities of: public safety, an economically prosperous and business-friendly community, compassionately resolving the homelessness crises, minimizing service impacts to the public while seeking savings, re-organizing for more efficient and effective government, and aligning costs to better represent cost causer/cost payer.

My administration cannot validate or certify the funding source increases that the Assembly provided for the vetoed items identified below from Amendments #1 and #11.

Most of the Assembly's proposed amendments relied on assumed 2022 revenue amounts that are not certifiable; the Finance Department was not asked to review or comment on the revenue amounts assumed by the Assembly prior to their approval of the budget amendments.

The recent announcement of the new Omicron variant discovered in South Africa late last week caused U.S. and Global investment markets to significantly decline in a single day. This new variant could very likely negatively affect projected revenues for both the MOA Trust Fund and Room Taxes going into 2022. The attached memo provides more details specific to each revenue.

My Administration cannot validate or certify the funding source increases that the Assembly provided on Amendment #1, Revenue Source lines 5 & 6 and

Amendment #2, Revenue Source line 3. Without valid funding sources, and with the new COVID variant and bond rating concerns, the below line items are vetoed.

My vetoes also put the city back under the tax cap by $110,000.

I provided additional explanations with each item.

Amendment #1 – General Government Operating
Strike Line 1: $634,736, Building Services, Fund 2 Electrical Inspectors, 1 Mechanical/Plumbing Inspector, 1 Structural Inspector positions.

> My reason is as follows: The reduction of these positions is part of an effort to right-size the inspector staff with the anticipated workload. This will not impact service and is part of my strategy to bring the Building Safety Service Area Fund (163000) to be self-sustaining and reduce its current negative fund balance of $11M.

Strike Line 2: $1,061,897, Health, Move 1 Epidemiologist, 1 Senior Office Associate, 1 Public Health Nursing Supervisor, and 5 Public Health Nurses from Alcohol Tax Program to AHD's operating budget.

> My reason is as follows: This revenue source cannot be validated or certified as a funding source.

Strike Line 3: $128,873, Mayor, Restore full funding to Mayor's Community Grants program.

> My reason is as follows: This will return the budget for the Mayor's Community Grants back to the proposed amount of $480K and achieves a balanced budget under the tax cap.

Strike Line 5: $1,282,719, Police, Fund Student Resource Officers (SROs) for 5 months.

> My reason is as follows: My action does not reduce or eliminate the SRO program; it simply reflects that the program can be fully funded with reimbursement from ASD. Additionally, the revenue source identified by the Assembly cannot be validated or certified.

Strike Revenue Source Line 2: ($196,057), Municipal Manager, Move cost for Director of Enterprise Services position to utilities and enterprises.

> My reason is as follows: This position is already budgeted as being partially funded by the utilities / enterprise departments via intragovernmental charges (IGCs) from the Municipal Manager but in amounts resulting from the IGC factors to be in line with cost causer / cost payer. Regulatory

Commission of Alaska stipulates that only allowable costs in line with approved methodologies can be charged to the utilities.

Strike Revenue Source Line 4: $149,579, Revenue – Tax, Tax to the cap.

My reason is as follows: To put the city back under the tax cap by $110K.

Strike Revenue Source Line 5: $100,000, Contribution – MOA Trust Fund, Increase dividend.

My reason is as follows: My Administration cannot validate or certify the funding source increases that the Assembly provided. See attached memo.

Strike Revenue Source Line 6: $2,500,000, Revenue – Tax, Increase 2022 Room Tax.

My reason is as follows: My Administration cannot validate or certify the funding source increases that the Assembly provided. See attached memo.

Strike Amendment #11 - $125,000, Fire, Girdwood EMS increase contract to $507K.

My reason is as follows: Insufficient funding source. Within the Areawide service area, there are two Volunteer Fire Departments that contract with the Municipality to provide emergency medical services. During the 2021 Budget process Girdwood Volunteer Fire Department received an increase of $175,000 for EMS bringing their annual appropriation to $382,500; Chugiak Volunteer Fire Department is receiving $177,897 through the 2022 Proposed Budget bringing their annual appropriation to $353,022.

Amendment #2 – Alcohol Tax Program
Strike Line 1: $1,575,180, Fire, Restore funding to the Mobile Crisis Team program.

My reason is as follows: Insufficient funding source. The Anchorage Police Department can provide these services at a lower cost with no service impact to the community. Additionally, this program is not fully functional at the Anchorage Fire Department (AFD) and cannot be fully implemented in AFD under the constraints of our current collective bargaining agreements.

Strike Line 3: $16,691, Fire, Crisis Intervention Training for Whittier Police Department and Girdwood Fire & Rescue.

My reason is as follows: Funding for 2022 cannot be used for training that occurred in November 2021.

Strike Line 4: $250,000, Health, Increase budget for evidence-based grants to providers for child abuse, sexual assault, and domestic violence prevention programs, for a total recurring amount of $2M.

> My reason is as follows: Insufficient funding source. Inclusive of Line 5, direct grants to Victims for Justice ($125K) and AWAIC ($125K), there is a total amount of $2M for evidence-based grants to providers for child abuse, sexual assault, and domestic violence prevention programs.

Reduce by $750,000 Line 6: $1,000,000, Health, Increase budget for early education grants to providers for a total recurring amount of $2M.

> My reason is as follows: This will leave a total amount of $1.25M for early education grants to providers. Anchorage School District has received a $110M grant, much of which is unspent and can be used to fund these additional programs if the school board chooses to fund it.

Strike Revenue Source Line 1: ($1,061,897), Health, Move 1 Epidemiologist, 1 Senior Office Associate, 1 Public Health Nursing Supervisor, and 5 Public Health Nurses from Alcohol Tax Program to AHD's operating budget.

> My reason is as follows: Reducing Public Health personnel who serve our most vulnerable population during a pandemic is not in the best interest of the community, and this reinstates the funding for these positions. These positions are critical in serving populations experiencing homelessness, substance misuse, and mental health crisis.

Strike Revenue Source Line 3: $404,974, Alcohol Tax Fund Balance, Unappropriated/unspent 2021 funds.

> My reason is as follows: My Administration cannot validate or certify this projected fund balance funding source until the 2021 financial reports are reconciled in 2022.

Strike Revenue Source Line 4: ($750,000), Police, Move funds to MCT program.

> My reason is as follows: This reinstates the MCT program at the Anchorage Police Department. The Anchorage Police Department can provide these services at a lower cost than if located at the Anchorage Fire Department, with no service impact to the community.

Strike Revenue Source Line 5: ($375,000), Health, Decrease amount or operational costs of shelter, day center, and/or treatment center based on start-up timeline.

<u>My reason is as follows:</u> This reinstates funding for the operational costs of a shelter, day center, and/or treatment center to address the immediate need for our homeless population.

MUNICIPALITY OF ANCHORAGE
FINANCE DEPARTMENT

M E M O R A N D U M

DATE: November 29, 2021

TO: Travis Frisk, CFO

FROM: Daniel Moore, Municipal Treasurer

SUBJECT: Unsupported 2022 Revenue Assumptions re: recently approved Assembly Budget Amendments

Treasury reviewed the MOA Trust Fund and Room Tax revenue sources cited by the Assembly in their recent approval of an omnibus amendment to the 2022 General Government Operating Budget. The Assembly's assumed 2022 revenue amounts are not supportable, and the Finance Department was not asked to review or comment on the revenue amounts assumed by the Assembly prior to their approval of the omnibus budget amendment.

Specific to the two revenues, the recent announcement of the new Omicron variant discovered in South Africa late last week caused U.S. and Global investment markets to significantly decline in a single day. This new variant could very likely negatively affect projected revenues for both the MOA Trust and Room Taxes going into 2022. More specific to each revenue:

MOA Trust Dividend Revenue

Approximately, 1.5 weeks prior to the announcement of the Omicron variant the MOA Trust's market value was $444.9M and it had annual YTD return of approximately 10.9%. After last Friday's steep decline in the markets tied to the Omicron announcement, the MOA Trust's market value declined in a single day by $8.2M and its YTD return reduced to 9.0%. Using the MOA Trust dividend projection model, the most recent projected 2022 dividend prior to the Omicron announcement was $19.1M. After last Friday's news, the projected 2022 dividend declined $200K to $18.9M. The Assembly's omnibus budget amendment assumed a 2022 Trust Fund dividend of $19.3M which is $400K short of the updated projection done post-Omicron announcement.

Room Tax Revenue

Given what the MOA experienced in 2020 when Room Taxes were severely impacted by the initial effects of COVID-19 (i.e., a 56% revenue decline in budgeted 2020 revenue), the Finance Department recommends exercising significant caution in projecting 2022 Room Tax revenue in light of the recent announcement of the Omicron variant. Room Tax revenue cited in the Mayor's Proposed Budget is $24.5M for 2022. 2021 Pro Forma Room Tax revenue is currently projected to be $27.5M. Given the uncertainty that Omicron may have on future 2022 summer travel plans, it would be inadvisable to assume that 2022 Room Tax revenue would exceed 2021 revenue by several million dollars as the Assembly assumed in its omnibus budget amendment. Until more is known about the potential negative impact of the Omicron variant, 2022 budgeted revenue should remain conservatively budgeted at $24.5M as cited in the Mayor's Proposed Budget and should be further revisited and potentially adjusted as part of 1st Quarter 2022 budget revision.