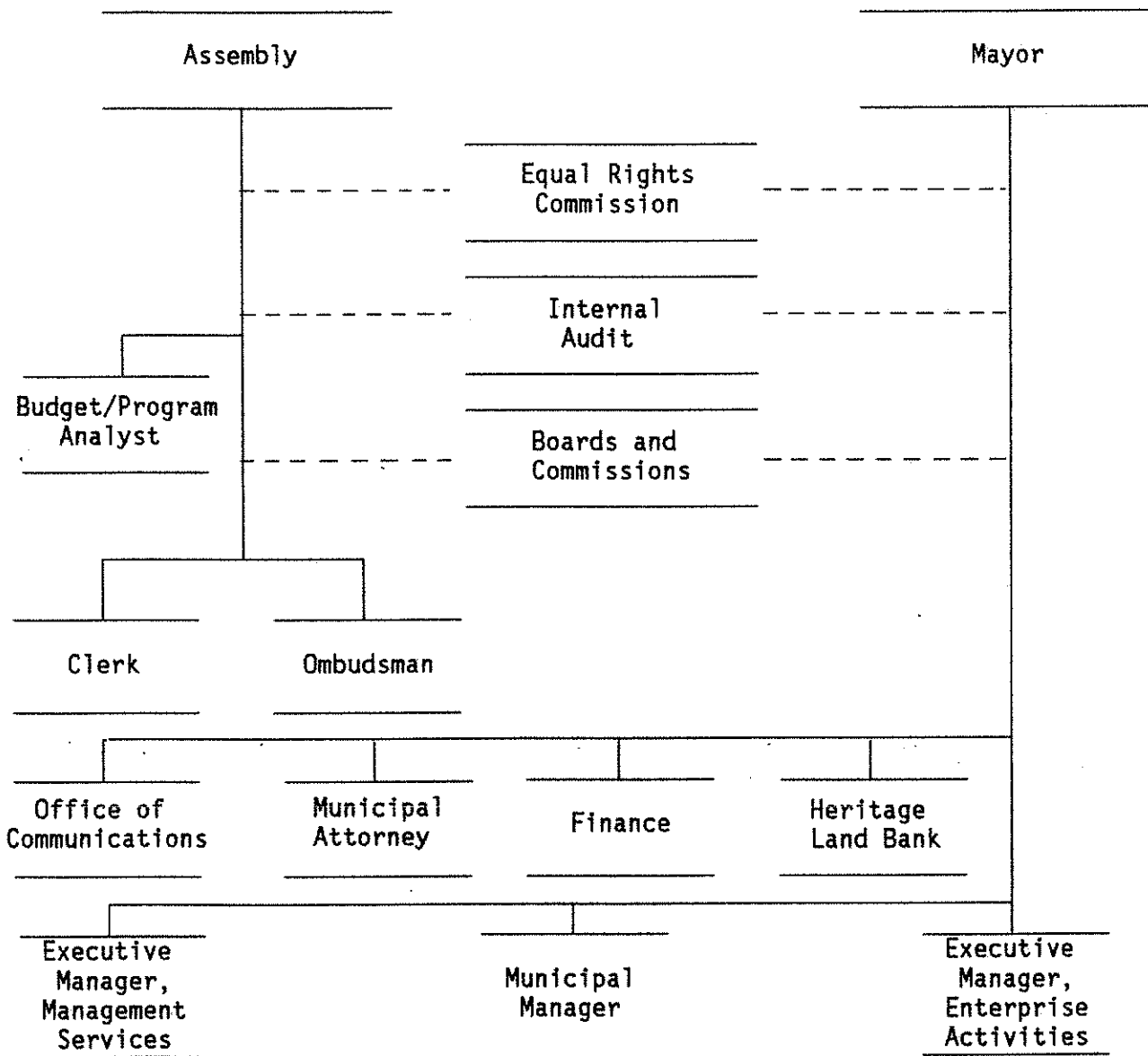


BUDGET OVERVIEW

**1989 GENERAL GOVERNMENT OPERATING BUDGET
MUNICIPALITY OF ANCHORAGE
ORGANIZATION**



- Employee Relations
- Management Information Systems
- Management and Budget
- Purchasing

- Economic Development & Planning
- Fire
- Health & Human Services
- Library
- Museum

- Parks and Recreation
- Police
- Property & Facility Management
- Public Works
- Transit

- Anchorage Telephone
- Anchorage Water and Wastewater
- Municipal Light & Power
- Merrill Field
- Port of Anchorage
- Solid Waste Services

Note: The public utilities publish a separate budget document.

MUNICIPALITY OF ANCHORAGE

OVERVIEW OF THE 1989 GENERAL GOVERNMENT OPERATING BUDGET

Between 1986 and 1988, the general government operating budget was cut \$26.8 million. Nevertheless, provisions were made for the headquarters library, more public safety personnel, the museum's Alaska gallery, a water quality program, the new police headquarters and downtown station, and numerous parks and recreation facilities. Few communities have been in the difficult position of adding major responsibilities while reducing total dollars spent.

The approved 1989 operating budget continues the three-year trend of reduced budgets. This is required by our economic times. However, given the major role which the Municipality plays in the local economy, two key goals have been followed: maintenance of essential public services and stabilization of the economy. The community as a whole does not benefit from loss of public or private sector jobs.

The 1988 budget noted that further cuts would be required in 1989, and that each budget should be evaluated not only for its impact during the upcoming year but also as part of a reasonable multi-year plan. The approved 1989 budget continues the approach of phasing reductions where possible, consistent with the best available information on future budget trends.

REVENUE NOTES

State revenues: The \$25.2 million of Municipal Assistance included in this budget has already been appropriated by the State Legislature. The \$13.1 million of State Revenue Sharing will not be appropriated until the spring of 1989. No new State revenues are assumed in this budget; however, we will propose greater State support and economic relief.

Fund balance: To help cushion the negative economic effect on the community of major employee layoffs and to ensure adequate levels of public services, fund balances have been reduced as much as possible, consistent with cash flow needs, maintenance of bond ratings and types of contingencies which could require additional support from a particular fund.

User fees: Fees have been reviewed. Some Public Works fees are pending increase at this time by the Assembly. We have been conservative in estimating program revenues due to the population decline, lack of economic activity and the problems incurred in 1988 with revenue projections.

Utility revenue distribution: This budget includes a \$2.2 million distribution of profits from Anchorage Telephone Utility to general government for tax relief.

Property taxes: The budget proposes taxing at the 1988 level of \$88.3 million plus new construction and voter approved increases for a total of \$89.2 million. This level is \$1.3 million under the tax limitation. It is important to note that the 5-year population average has turned negative. Approximately 219,500 residents received services in 1988.

EXPENDITURE NOTES

Increased or new expenses: This budget had to accommodate nearly \$3.2 million in new and higher costs for police and fire retirees medical coverage, 5th and C Parking Garage lease, water hydrant charges, utility increases and other services.

Employee wages and benefits: This budget provides funding for contracted labor cost increases in 1989 of approximately \$2.3 million plus health and dental benefit increases of \$.83 million. Executives are slated for a wage freeze. Non-represented employees are slated for a wage freeze but funding is provided for step and longevity increases.

Ballot initiatives: Funding for approved ballot propositions pertaining to road service areas and lighting districts have required expenditure changes and tax changes.

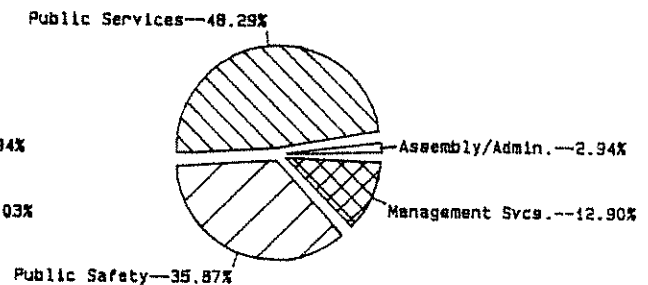
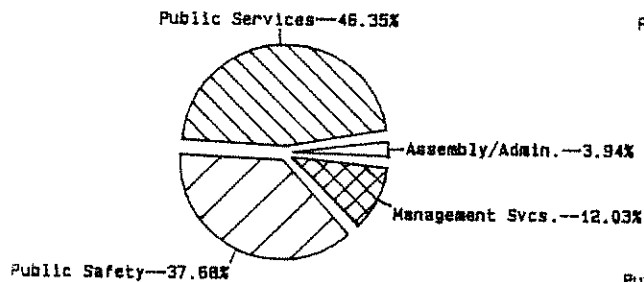
Department data: Due to the complexity of department budgets and the different levels of program revenues, intragovernmental charges, debt service, and small service area requirements, the best way to analyze a department is through a review of service levels and all supporting schedules. Some of the data presented herein requires further research and interpretation before conclusions may be warranted. For example, Appendix A of this book is designed to provide only a quick comparison of department direct cost budgets.

1989 General Government Operating Budget
DIRECT COST APPROPRIATION BY FUNCTIONAL AREA

Public Services/ Transportation/ Neighborhoods	Public Safety	Management Services	Assembly Administration
Public Works \$36,003,080	Police \$31,054,940	Municipal Manager \$ 432,730	Assembly \$1,614,610
Parks and Recreation 9,438,300	Fire 23,434,130	Finance 12,495,030	Equal Rights Commission 402,180
Transit 8,203,530	Health & Human Services 9,610,800	Management Information Systems 6,068,010	Internal Audit 339,050
Library 7,027,110		Employee Relations 1,769,050	Office of the Mayor 1,002,520
Museum 1,242,700		Purchasing 857,040	Municipal Attorney 1,893,290
Economic Development & Planning 1,895,610		Management Services 114,910	
Property & Facility Management 15,140,560		Management & Budget 1,311,400	
Non-Departmental 7,349,460			
TOTAL \$86,300,350	\$64,099,870	\$23,048,170	\$5,251,650

1988 Revised
\$188,651,110

1989 Budget
\$178,700,040

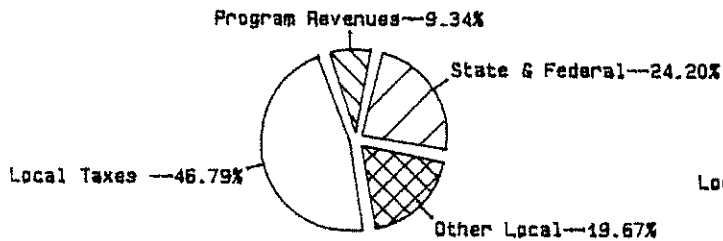


1989 General Government Operating Budget

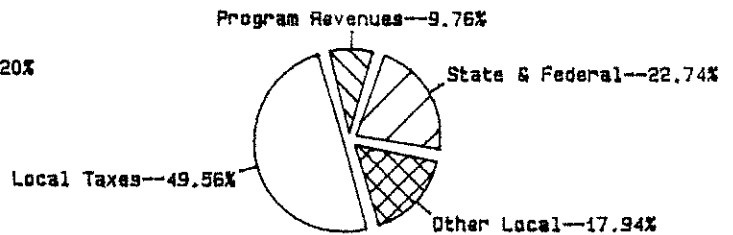
SOURCES OF FUNDS

	<u>1988 Revised</u>	<u>1989 Budget</u>
State and Federal Revenues	\$ 45,650,050	\$ 40,636,940
Program Revenues	18,042,120	17,436,050
Local Taxes on Existing Property	87,470,670	88,566,930
Taxes on New Construction	793,420	605,500
Other Local Revenues	36,694,850	31,454,620
Total	\$188,651,110	\$178,700,040

1988



1989

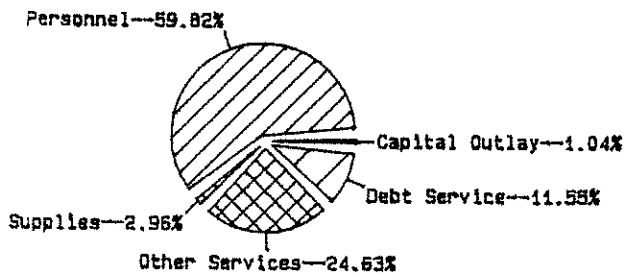


Estimated assessed valuation	1988: \$11.0 billion	1989: \$ 9.0 billion
Average mill rate	1988: 8.65 mills	1989: 9.88 mills

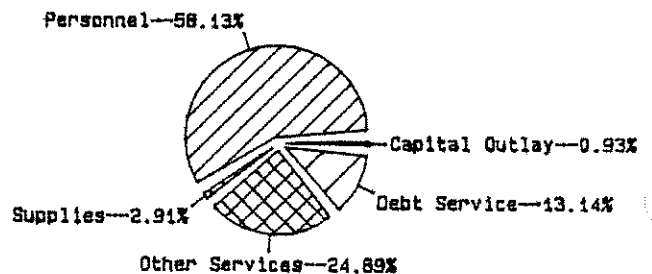
DIRECT COST BY TYPE OF EXPENDITURE

	<u>1988 Revised</u>	<u>1989 Budget</u>
Personal Services	\$112,856,640	\$103,886,380
Supplies	5,588,170	5,194,440
Other Services	46,469,960	44,475,220
Debt Service	21,785,430	23,487,600
Capital Outlay	1,950,910	1,656,400
Total	\$188,651,110	\$178,700,040

1988



1989



1989 General Government Operating Budget

SUMMARY OF ALL REVENUE ACCOUNTS

Revenue Source	1987 Revised	1988 Revised	1989 Budget
FEDERAL REVENUES			
9312 Federal in Lieu of Property Tax	\$ 375,890	\$ 366,150	\$ 366,150
9324 Mass Transportation	575,000	575,000	712,000
9331 Other Federal Grant Revenue	48,600	50,500	49,900
9357 National Forest Allocation	1,480	-0-	-0-
9376 Civil Defense	-0-	-0-	20,000
Total Federal Revenues	\$ 1,000,970	\$ 991,650	\$ 1,148,050
STATE REVENUES			
✓ 9342 Municipal Assistance	\$ 29,623,580	25,205,610	\$ 25,205,610
9344 Fisheries Tax	94,990	99,200	99,200
✓ 9346 Health Facilities	824,380	908,580	908,580
9347 Liquor Licenses	307,380	352,430	352,430
9348 Amusement Device Licenses	22,640	24,120	24,120
✓ 9349 Road Maintenance	1,408,890	1,173,390	1,173,390
9355 Electric Co-Op Allocation	652,790	666,700	666,700
✓ 9362 General State Revenue Sharing	11,919,670	16,195,870	11,026,360
9481 State of Alaska - 911	32,500	32,500	32,500
Total State Revenues	\$ 44,886,820	\$ 44,658,400	\$ 39,488,890
LOCAL REVENUES			
9003 Penalty/Interest on Delinquent Taxes	\$ 1,606,860	\$ 2,225,220	\$ 2,225,220
9004 Tax Cost Recoveries	77,080	69,870	69,870
9006 Auto Tax	3,637,210	3,060,230	3,060,230
9007 Delinquent Taxes	-0-	-0-	600,000
9021 Franchises	555,210	605,090	605,090
9022 Payment In Lieu of Taxes	100,190	77,080	77,080
9023 Hotel and Motel Taxes	3,493,120	3,693,120	3,693,120
9024 Penalty/Interest on Hotel/Motel Taxes	16,600	13,690	38,690
9111 Building and Trade Licenses	34,200	25,000	21,900
9112 Taxicab Permits	155,000	157,500	162,330
9113 Contractor Certificates and Examinations	4,500	2,500	2,200
9114 Chauffeur Licenses	14,000	14,000	10,500
9115 Taxicab Permit Revisions	10,630	10,630	10,630
9116 Local Business Licenses	59,300	60,000	52,000
9117 Chauffeur License Renewal	21,000	21,000	17,500
9118 Bicycle Licenses	100	100	100
9131 Plan Checking Fees	555,000	405,000	356,660

1989 General Government Operating Budget

SUMMARY OF ALL REVENUE ACCOUNTS

Revenue Source	1987 Revised	1988 Revised	1989 Budget
9132 Building Permits	\$ 939,030	\$ 580,000	\$ 676,510
9133 Electrical Permits	205,070	165,000	144,150
9134 Gas and Plumbing Permits	248,070	210,000	183,450
9135 Moving Fence/Sign Fees	12,000	12,000	8,950
9136 Construction and Right-of-Way Permits	108,000	100,000	50,000
9137 Elevator Inspection Fees	59,540	90,000	78,600
9138 Mobile Home Inspection Fees	31,290	31,800	7,000
9139 Land Use Permits	20,000	16,000	27,000
9141 Amusement Surcharge	75,600	85,000	88,000
9143 Parking and Access Agreement Fees	-0-	550	550
9191 Animal Licenses	40,000	40,000	30,000
9199 Miscellaneous Permits	16,150	23,500	20,000
9211 Court Fines and Forfeitures	1,170,780	1,485,500	1,480,120
9212 Failure to Appear Warrants	355,500	-0-	-0-
9213 Library Book Fines	53,280	53,810	59,930
9215 Other Fines and Forfeitures	18,000	20,000	2,870
9216 Pre-Trial Diversion	-0-	25,000	-0-
9411 Platting Fees	150,000	70,000	22,000
9412 Zoning Fees	72,500	50,000	24,500
9413 Sale of Publications	18,250	15,500	88,000
9415 Miscellaneous Map Sales	14,000	12,000	17,000
9416 Rezoning Inspections	7,500	51,000	2,500
9417 Zoning Inspection	22,000	1,000	1,000
9418 Emission Certificate Fee	1,408,420	1,210,000	1,176,000
9419 Emission Inspection Test Fee	20,000	25,000	20,000
9421 Septic System Annual Permit	-0-	50,000	-0-
9423 Family Planning Fees	90,000	85,000	55,000
9424 Travel Immunization	2,000	2,000	1,200
9425 Dispensary Fees	40,000	57,300	32,750
9426 Sanitary Inspections Fees	482,350	673,500	511,200
9431 Public Transit Fees	1,390,590	1,185,800	1,162,120
9436 Transit Charter Fees	20,000	20,000	-0-
9441 Recreational Activities	292,000	326,000	323,800
9443 Swim Fees	1,016,760	870,770	705,100
9445 Cemetery Fees	78,150	50,000	54,000
9446 Ski Fees	12,000	8,000	3,200
9447 Golf Fees	40,000	40,000	45,000
9448 Camper Park Fees	93,000	84,000	81,000
9451 Ambulance Service Fees	770,000	868,000	824,600
9452 Fire Training Center	36,500	18,000	14,800
9453 Fire Alarm Fees	15,600	14,400	13,200
9456 Admission Fees	-0-	121,300	246,300
9462 Subdivision Inspection Fees	350,000	100,000	50,000
9463 Mapping Fees	62,000	45,000	40,000
9467 Address Fees	-0-	-0-	7,500

1989 General Government Operating Budget

SUMMARY OF ALL REVENUE ACCOUNTS

Revenue Source	1987 Revised	1988 Revised	1989 Budget
9468 Computer Time Fees	\$ -0-	\$ -0-	\$ 20,000
9471 Building Rental	-0-	31,000	24,000
9478 Parking Authority Income	-0-	358,030	390,000
9484 Animal Shelter Fees	160,000	145,000	117,000
9492 Service Fees - School District	230,000	302,590	309,400
9493 Microfiche Sales	26,000	12,700	13,340
9494 Clinic Fees	49,500	66,110	45,000
9495 Parking Authority Service Fees	108,220	72,330	66,330
9498 Unbilled Revenue (Flex-Benefits)	-0-	11,500	11,500
9499 Reimbursed Costs	1,431,060	1,377,860	1,567,490
9532 Miscellaneous Nonoperating Income	10,000	20,000	20,000
9601 Contributions from other Funds	120,070	15,000	657,370
9613 Loan Recovery	-0-	-0-	13,650
9614 Contribution of Interest from G.O. Bonds	-0-	-0-	797,530
9623 Utility Revenue Distribution and Savings from ATU	7,000,000	5,000,000	2,200,000
9711 Assessments	746,070	1,071,890	890,000
9712 Penalty/Interest on Assessments	689,920	672,370	564,000
9731 Lease and Rental Revenues	754,450	729,250	412,600
9732 Lease State Land Conveyance	55,000	44,910	44,900
9741 State Land Sales	934,550	750,000	500,000
9742 Other Property Sales	102,500	5,000	7,500
9745 Gain on Sale of Investments	1,392,280	-0-	-0-
9752 Parking Garages & Lots	71,120	39,280	60,000
9761 Cash Pool Short-Term Interest	5,055,230	3,800,900	2,636,250
9762 Other Short-Term Interest	829,820	489,620	489,620
9782 Lost Book Reimbursement	6,400	11,870	8,880
9783 Library Fees	23,320	8,400	37,660
9793 Liquor Licenses	5,000	1,000	1,000
9794 Appeal Receipts	40,250	11,600	6,600
9795 Sale of Contractor Specifications	26,000	15,000	14,000
9796 Transit Advertising Fees	80,000	55,000	45,000
9797 Copier Fees	58,250	56,960	59,010
9798 Miscellaneous Revenue	60,700	75,700	44,500
Total Local Revenues	\$ 40,261,640	\$ 34,682,630	\$ 31,456,150
OTHER REVENUES			
Intragovernmental Revenues	\$ 15,844,640	\$ 14,442,130	\$ 11,692,650
Fund Balance Applied	8,559,660	7,252,650	6,261,580
Taxes	86,464,450	88,264,090	89,172,430
Restricted Profits	(601,050)	(1,640,440)	(519,710)
Total Other Revenues	\$110,267,700	\$108,318,430	\$106,606,950
TOTAL REVENUES	\$196,417,130	\$188,651,110	\$178,700,040

GUIDE TO THE OPERATING BUDGET

I. INTRODUCTION

Why This Guide?

The purpose of this guide is to explain Anchorage's operating budget process and how to read the forms contained in the budget document. Budgets are often complex and confusing to the person who does not deal with them regularly. The terminology is foreign to most people and the various schedules are not always easily understood. It is hoped that this guide will help you understand the information, so you can make informed decisions regarding the operating budget.

How to Use This Guide

This guide is organized into four main sections:

- Section I, Introduction, explains the purpose of this guide.
- Section II, General Budget Principles, outlines the Municipality's major governing budget policies. These include the service area concept, balanced budget, tax limitation and appropriation guidelines. (There is a Glossary of Terms at the end of this guide.)
- Section III, How a Budget is Prepared and Compiled, explains the budgeting process used by general government departments.
- Section IV, How to Use the Budget Document, leads the reader step-by-step through the forms in the budget document. The interrelationships of the various forms are explained.

II. GENERAL BUDGET PRINCIPLES

The Budget as a Financial and Program Plan

The operating budget outlines the financial and program plan for the coming fiscal year (**budget year**) for the Municipality of Anchorage. It summarizes planned operating expenditures and revenues for each department/agency (excluding the Public Utilities) and explains what will be accomplished with the funds.

Preparation of the next year's budget begins each spring. The most current information on prices, population trends and public wants and needs is used. However, changes in the economy and community priorities sometimes require changing the planned municipal programs during the budget cycle, as well as after the budget is approved in December.

Service Areas and Funds

The Municipality operates under a **service area concept**, which means that residents of particular areas have voted on whether to receive and to pay taxes for a particular service from the Municipality. By law, some services must be offered on an **areawide** basis. These include education, planning and zoning, property appraisal and the assessment and collection of taxes. Other services require a specific vote of the people in each area--these include road maintenance, fire and police protection and parks and recreation. There are currently 36 different service areas in the Municipality.

Service area expenditures and revenues are budgeted in unique funds. A fund is an accounting entity which isolates the expenses and revenues of a particular program or service---somewhat like a separate checking account. Only expenses and revenues that pertain to the unique service area are reflected in that particular fund. In addition to the areawide fund, some of the major service areas/funds are:

- Police and Fire - The service area for police covers most of the Anchorage bowl except for the Hillside. There are separate fire service areas for Anchorage, Chugiak, and Girdwood.
- Roads and Drainage - There are 19 separate funds for budgeting the various roads and drainage service areas. Four have full maintenance and construction authority: Anchorage Roads and Drainage Service Area (ARDSA), Eagle River Rural Road Service Area (ERRRSA), Glen Alps Service Area and Girdwood Valley Service Area. Others are called Limited Road Service Areas (LRSA).
- Parks and Recreation - There are separate service areas for Parks and Recreation in Anchorage, Eagle River/Chugiak, and Girdwood.

There are also a number of separate funds for particular facilities (e.g. Sports Arena), particular program operations (equipment maintenance, Heritage Land Bank) or particular expenses (non-assessable debt, self-insurance).

Balanced Budget Concept

The general government operating budget for the Municipality is a balanced budget. This means that sufficient revenues must be available to pay for the planned expenditures. Revenue sources include fees for services, state and federal shared revenues, property taxes and other local revenues such as interest earnings, assessments, licenses and permit fees. One of the most critical tasks in preparing the budget is the estimation of future revenues, since expenses that can be budgeted are dependent on the amount of revenue available.

Taxes and Mill Levies

Property taxes are an **ad valorem tax**, which means taxpayers pay a flat rate per dollar value of taxable property they own. The flat rate, called a **mill levy** or **mill rate**, is \$1.00 of tax per \$1,000 of assessed value. If you are taxed 4 mills for education and your house is assessed at \$100,000, you pay \$4 per \$1,000 of assessed value, or \$400 in taxes.

Tax Limitation

In October 1983, the voters of Anchorage passed an amendment to the charter known as the **tax limitation**. The measure limits the taxes the Municipality can levy (with certain exceptions) to the amount levied in the previous year, increased by annual inflation and five-year average population growth. The limit does not apply to taxes required to fund additional voter-approved services.

While the charter amendment limits tax increases, it does not limit expenditures if there are sufficient revenues from other sources to pay for them. However, the Municipal Code does include a spending limitation which restricts expenditure increases to inflation, population and voter/legally mandated services.

Appropriations

Municipal agencies cannot expend funds without an **appropriation**. An appropriation is a level of funding authorized by the Assembly. The Assembly appropriates the operating budget by each department's direct cost and by each fund's function cost (these terms are explained later). Appropriations for general government operations that have not been spent at the end of one fiscal year do not carry over into the next fiscal year.

III. HOW AN OPERATING BUDGET IS PREPARED AND COMPILED

The budget process begins each spring with a **preliminary planning phase**. Departments review their programs and responsibilities, assess what is being done during the current year and begin making plans for the next year (the budget year). Some factors considered during this preliminary planning phase are:

- New facilities that will open and require staff, supplies and other operating expenses.
- New responsibilities or programs required by federal, state or local laws.
- New or changed programs to meet community needs or interests.
- Programs that can be eliminated because they are no longer required or desired.
- Efficiencies that can be achieved through better resource management.

Both the balanced budget concept and the tax limitation necessitate early predictions of both expenditures and revenues. First, the budget staff calculates a **continuation level** for each department. This is a projection of what it would cost in the budget year to continue existing programs at the same level of activity. Factors that must be considered include union wage agreements, employee benefit costs and payments on municipal bonds.

The total of all department continuation levels plus any new facility or program requirements is compared to the **allowable budget**--the level of funding that can be supported by anticipated revenues. After adjustments are made to balance expenditures to revenues, each department is given guidance for developing its detailed budget proposal. Guidance includes a projected dollar amount (the **funding line**) and general directions regarding cost-saving measures and the addition or elimination of programs.

Development and Review of Budget Proposals

Departments prepare their budgets using **zero-base budgeting** (ZBB) concepts. ZBB is a planning and budgeting tool which helps departments identify what needs to be done, what resources (personnel, supplies, contracts, etc.) are required to do the job and what the impact would be of not doing the job.

Each budget unit develops one or more **service levels**--units of work or an activity. A budget is prepared for each service level, using various budget worksheets to project expenses. If the service level involves work which is supported by fees (such as building inspection or swim fees), the revenues must be estimated as well.

The service levels are then ranked by the department in descending order of priority, considering legal requirements, public needs and the Mayor's goals and objectives. A cumulative cost total is kept of the ranked service levels. Those above the funding line become the department's requested budget.

Department budgets are reviewed by the executive managers and the chief fiscal officer. They then make budget recommendations to the Mayor. In some cases, unfunded service levels which the Mayor feels are essential are exchanged for less critical service levels in other departments to keep the overall budget balanced. The amount established for each department is called the **direct cost budget**.

Intragovernmental Charges

When the departmental direct cost budgets and the total funding level are finalized, the budgets are entered into the Municipal computer and the **intragovernmental charges** (IGCs) are calculated. These are charges for services provided by one Municipal organization to another. For example, the Facility Maintenance Division maintains all general government buildings. Maintenance costs are budgeted in Facility Maintenance and **charged out** to the appropriate users. Intragovernmental charges are either allocated (based on standard figures per employee, per square foot, etc.) or non-allocated (based on charges for particular services performed).

By using an intragovernmental charge system, the full cost of a program--including overhead--ends up in the budget for the program. As an example, Anchorage Police Service Area taxpayers pay for the whole police program, including the cost of maintaining the police building.

Calculation of Function Cost

After the intragovernmental charges are calculated, the budget is summarized by service area. The service area cost, or **function cost**, is the direct cost plus intragovernmental charges from others less intragovernmental charges to others.

For example:

Direct Cost of the Fund	\$10,000,000
Intragovernmental Charges from Others	1,000,000
Intragovernmental Charges to Others	<u>(2,000,000)</u>
Service Area Function Cost	<u>\$ 9,000,000</u>

All of the function costs for each service area (fund) are totalled. The total becomes the recommended appropriation for that fund.

Preparation of Revenue Budget

The other side of the balanced budget is revenues. Some departments earn **program revenues**, such as bus fares, building permit and inspection fees, swim fees and library fines. These program revenues are estimated by the departments when they prepare their service levels.

Other revenues are earned or received by the Municipality as a whole. These are **allocated revenues**. Examples are state and federal revenue sharing funds and interest earnings. These revenues are allocated to the various service areas (funds) as the budget is developed. A chart showing the distribution of all revenues is in the Appendix.

Calculation of Tax Requirement

Once the function cost of each service area is calculated, and the program and allocated revenues for each fund are estimated, the **tax requirement** can be calculated. The tax requirement is the function cost less program revenues less allocated revenues less fund balance applied.

Continuing with the example above:

Service Area Function Cost	\$ 9,000,000
Program Revenues	(2,000,000)
Allocated Revenues	(4,500,000)
Fund Balance Applied	<u>(500,000)</u>
Service Area Tax Requirement	<u>\$ 2,000,000</u>

Calculation of Mill Levies

To calculate mill levies, the tax requirement and the estimated assessed valuation of the taxable property in each service area must be known. The mill levy is computed as follows:

$$\begin{array}{rclclcl} \text{Service Area} & \div & \text{Service Area} & & & \\ \text{Tax Requirement} & & \text{Assessed Valuation} & \times & 1,000 & = \text{Mill Levy} \\ \$2,000,000 & \div & \$10,000,000,000 & \times & 1,000 & = .20 \text{ mills} \end{array}$$

A summary of mill levies by fund is in the Appendix.

IV. HOW TO USE THE BUDGET DOCUMENT

The charts presented in the budget document are the product of the steps described in the preceding section. The budget document is organized into three major sections:

- **Budget Overview:** budgetary environment assumptions and guidelines; summaries of expenditures, revenues, property taxes and mill levies and out-year projections.
- **Department Detail:** each department's organization chart; the highlights of the department's budget; a resource plan which summarizes expenditures, revenues and personnel; a reconciliation which shows the changes from one year to the next; and a program plan for each major activity.
- **Appendices:** detailed comparisons of expenditures, revenues, assessed valuation and mill levies; list of all program changes; and personnel summary.

How to Read the Budget Overview Section

The Overview explains the budget guidelines and major changes in revenues and program emphasis. Charts and graphs are intended as self-explanatory summaries and trends of expenditures, revenues, property taxes and mill levies. They are based on information in the Department Detail section and the Appendices.

How to Read the Department Detail Section

The Department Detail section is the core of the budget document. This is the section studied most carefully by Assembly members and other reviewers of the budget. This portion of the guide will lead the reader step-by-step through the charts used for each department, and explain how these charts are related and summarized.

Department Summary

The one-page Department Summary states the major **program highlights** in the department's budget. A **resource summary** at the bottom of the page compares direct costs, program revenues and number of personnel positions for the current year and budget year.

DEPARTMENT SUMMARY		
DEPARTMENT	MUSEUM	
MISSION	To collect, preserve, exhibit and interpret materials illustrating the art, history and native cultures of Alaska; to maintain an active exhibition program, to provide a major cultural center for Anchorage.	
MAJOR PROGRAMMING HIGHLIGHTS	<ul style="list-style-type: none">- Operate and maintain a physical plant of 140,000 square feet; open 6 days a week in winter, 7 in summer, for an estimated 200,000 visitors.- Administer a mandatory seasonal admission fee from May 15 to September 15.- Maintain 6 galleries of art from the permanent collection and three of changing exhibitions, plus exhibits in the atrium.- Maintain 15,000 square feet of historical exhibits in the Alaska Gallery.- Maintain the Children's Gallery and related activities.- Organize and conduct 558 tours of the above galleries.- Expand the collections through private donations, and maintain them.- Expand and maintain the Library and Archives.- Administer 18 1% for Art in Public Places projects for the Municipality.- Organize and present 150 public programs.- Rent museum facilities to other organizations on a space-available basis.- Operate a 95-car underground parking garage.	
RESOURCES	1988	1989
Direct Costs	\$ 1,160,050	\$ 1,086,700
Program Revenues	\$ 221,280	\$ 256,300
Personnel	4FT 17PT 4T	7FT 13PT 4T

Resource Plan

The Resource Plan gives the operating costs and personnel resources for each division. It adds debt service and the intragovernmental charges received from other departments, then subtracts charges to be made to other departments. This figure equals the department's function cost. Any program revenues budgeted by the department are subtracted to get the net program cost of the department.

The lower half of the Resource Plan shows, by division, the breakout of the budget by expense category--personal services, supplies, other services, debt service and capital outlay.

1989 RESOURCE PLAN												
DEPARTMENT: MUSEUM												
DIVISION	FINANCIAL SUMMARY		PERSONNEL SUMMARY									
	1988 REVISED	1989 BUDGET	1988 REVISED				1989 BUDGET					
			FT	PT	T	TOTAL	FT	PT	T	TOTAL		
MUSEUM	1,007,920	934,090	4	17	4	25	7	13	4	24		
OPERATING COST	1,007,920	934,090	4	17	4	25	7	13	4	24		
ADD DEBT SERVICE	152,130	150,610										
DIRECT ORGANIZATION COST	1,160,050	1,086,700										
ADD INTRAGOVERNMENTAL CHARGES CHARGES FROM OTHERS	679,140	670,240										
TOTAL DEPARTMENT COST	1,839,190	1,756,940										
LESS INTRAGOVERNMENTAL CHARGES TO OTHERS	52,920	33,250										
FUNCTION COST	1,786,270	1,723,690										
LESS PROGRAM REVENUES	221,280	256,300										
NET PROGRAM COST	1,564,990	1,467,390										
=====												
1989 RESOURCES BY CATEGORY OF EXPENSE												
DIVISION	PERSONAL SERVICES	SUPPLIES	OTHER SERVICES	CAPITAL OUTLAY	TOTAL DIRECT COST							
MUSEUM	819,440	22,440	99,210		941,090							
DEPT. TOTAL WITHOUT DEBT SERVICE	819,440	22,440	99,210		941,090							
LESS VACANCY FACTOR	5,000				5,000							
ADD DEBT SERVICE					150,610							
TOTAL DIRECT ORGANIZATION COST	814,440	22,440	99,210		1,086,700							

Department Reconciliation

The Department Reconciliation shows how the department's budget differs from the current year to the budget year. **Program changes** are noted with their associated funding and staffing levels.

RECONCILIATION FROM 1988 REVISED TO 1989 BUDGET				
DEPARTMENT: MUSEUM				
	DIRECT COSTS	POSITIONS		
		FT	PT	T
1988 REVISED BUDGET:	\$ 1,160,050	4FT	17PT	4T
Amount Required to Continue Existing Programs in 1989:	13,740			
REDUCTIONS TO EXISTING PROGRAMS:				
- 1% arts program position reduced to part time	(8,380)	(1FT)	1PT	
- Museum attendant	(18,200)		(1PT)	
- Two part time Assistant Curators reduced to 80% from 94%	(10,620)			
EXPANSIONS IN EXISTING PROGRAMS:				
- Change part time Curators to full time	10,330	4FT	(4PT)	
NEW PROGRAMS:				
None				
MISCELLANEOUS INCREASES (DECREASES):				
- Overtime	(7,890)			
- Benefits (temporary positions)	(2,020)			
- Supplies	(4,880)			
- Other services (one-time contract 16,000)	(15,370)			
- Debt service	(1,520)			
- Capital outlay (Museum collections)	(28,540)			
1989 BUDGET	\$ 1,086,700	7FT	13PT	4T

Program Plans

Separate Program Plans describe the activities and resource requirements for each major program in the department. The form highlights the current and budget year objectives, personnel positions, total direct costs, and performance measures.

1989 PROGRAM PLAN

DEPARTMENT: MUSEUM
PROGRAM: Museum Operations

DIVISION: MUSEUM

PURPOSE:

To provide management, supervision and administrative support to present programs and activities in the Anchorage Museum Of History and Art.

1988 PERFORMANCES:

- Operate and maintain 6 galleries for the permanent art collection of the museum.
- Operate and maintain the Alaska Gallery.
- Operate and maintain the Children's Gallery.
- Operate and maintain the Archives/Library and the Museum Shop.
- Continue a voluntary admission donation program.
- Rent the facilities of the building, on an as-available basis, to the general public.
- Operate and maintain the Museum's underground 95-vehicle parking garage.
- Administer the 1% for Art Program for the Municipality.

1989 OBJECTIVES:

Operate and maintain Art Galleries, Alaska Gallery, Children's Gallery and Library.
Continue voluntary donation program during the winter and admission charges May 15 - September 15.
Operate and maintain the underground 95-vehicle parking garage.
Administer the 1% for Art Program for the Municipality on a parttime basis.
Rent the facilities of the building, on an as-available basis.

RESOURCES:

	1987 REVISED			1988 REVISED			1989 BUDGET		
	FT	PT	T	FT	PT	T	FT	PT	T
PERSONNEL:	21	3	0	4	17	4	7	13	4
PERSONAL SERVICES	\$	862,320		\$	837,480		\$	814,440	
SUPPLIES		26,810			27,320			22,440	
OTHER SERVICES		56,230			114,580			99,210	
DEBT SERVICE		156,990			152,130			150,610	
CAPITAL OUTLAY		0			28,540			0	

TOTAL DIRECT COST: \$ 1,102,350 \$ 1,160,050 \$ 1,086,700

PROGRAM REVENUES: \$ 152,820 \$ 221,280 \$ 256,300

PERFORMANCE MEASURES:

- Visitors	150,000	139,000	175,000
- School tours	300	131	131
- Hours of operation	2,376	2,376	2,376
- Galleries open	8	7	11
- Adult tours	180	168	168
- 1% for Art projects	25	18	0

4 SERVICE LEVELS ARE FUNDED FOR THE DEPARTMENT. THIS PROGRAM HAS LEVELS:
1, 2, 3, 4

How to Use the Appendices

The Appendices contain summaries of expenditures, revenues, assessed valuation and mill levies. The following describes what can be found in the Appendices and how they relate to the rest of the operating budget document.

- A. **Direct Cost Comparison:** Compares the total revised direct cost (as of 6/30) for each department over the past four years. More information on direct costs can be found in the Department Detail section.
- B. **Tax Limitation Calculation:** Presents the tax limitation calculation, as required in Section 14.03 of the Municipal Charter. Property taxes required for the approved budget cannot exceed the property taxes allowed, as calculated in this schedule.
- C. **Direct Cost by Expenditure Type:** The budget is summarized by department and expense category. This ties in to the Resource Plan totals for each department. The total direct cost for each department is the department appropriation.
- D. **Personnel Summary:** Indicates personnel positions by type (full-time, part-time, temporary) and department. Three years' information is included for comparison.
- E. **Personnel Benefit Rates:** Summarizes the cost of benefits paid to general government, fire and police employees. These rates are used in developing the operating budget and cover the Municipality's share of retirement, social security, medical, dental and life insurance, accrued leave and long-term disability benefits.
- F, G, H and I. **Overtime, Vacancy Factor, Travel and Capital Outlay Summaries:** These appendices summarize overtime, vacancy factor, travel and capital outlay by department. Significant changes are explained in the department detail section.
- J. **Debt Service Summary by Department:** Provides detailed information regarding the outstanding debt and the principal and interest payments for the budget year.
- K. **Function Cost Comparison by Fund:** Compares operating budget function costs (direct costs with intragovernmental charge additions and subtractions) by fund.
- L. **Revenue Distribution Summary:** Shows the source and the authorization for each allocated revenue and the distribution to service areas. Each program revenue is distributed by budget unit. There is also a description of each revenue account and an explanation of how the revenue is generated and/or estimated.

- M. **Fund Balance Summary:** Lists the forecasted balance in each fund as of December 31. Also shows the amount of any fund balance to be appropriated to offset function costs in the current budget.
- N. **Calculation of Average Mill Levy:** Shows the computation of the overall mill levy for the Municipality of Anchorage without regard to service area. Compares to previous year and shows the net change for the computations. Also shows the average mill levy trend.
- O. **Areawide Assessed Valuation Trends:** Shows the trend in areawide assessed valuations. Total property valuation (both real and personal property) is displayed in the first three columns. The next four columns separate the real property valuation into existing property and new construction.
- P. **Mill Levy Comparison by Taxing District:** Shows each taxing district's anticipated change in mill levy, indicating what service is causing the change.
- Q. **1989 Preliminary Mill Levies:** Shows each taxing district's anticipated total mill levy by service area, including the assumed mill levy for the Anchorage School District.
- R. **Mill Levy Trends:** Shows the ten-year mill levy trend by taxing district. Included is the mill levy for school district operations.
- S. **Mill Levy Comparison by Fund:** Displays the proposed mill levies by fund (service area). Included for comparison are the approved mill levies for the previous two years.
- T. **Spending Limitation Calculation:** Presents the spending limitation calculation as required by the Anchorage Municipal Code 6.10.037.
- U. **Personnel Comparison 1989 to 1981-1982 Average:** Compares the number of personnel in each department to the 1981-82 average. The Municipal population of 1981-82 more closely equates to the current population than any prior year.

GLOSSARY OF TERMS

Ad valorem tax	A tax based on value. Property taxes in the municipality are an ad valorem tax. Taxpayers pay a set rate per dollar of assessed value of taxable property.
Allocated revenues	Revenues received or earned by the municipality which are not attributed to a particular program or service. Examples are federal and state revenue sharing and interest earned on cash investments. These revenues are distributed to funds (service areas), but not to particular programs. The method of allocation varies, depending on the type of revenue.
Allowed budget	Amount the total budget can be without exceeding the tax limitation. Calculated by adding the amount of taxes allowed under the tax limitation and other anticipated revenues (program and allocated revenues and intragovernmental charges to non-tax-supported units such as grants and utilities).
Amount required to continue existing programs	The current year's budget adjusted by the amount necessary to pay for the existing personnel, known debt service and certain other one-time costs or known new requirements.
Appropriation	An authorization by the Assembly to make expenditures. The Assembly makes appropriations in the operating budget for each department and fund. Appropriations lapse at the end of the fiscal year.
Areawide Services	Services provided throughout the entire municipality. Examples are education, planning and zoning, library, health and transit.
Average mill rate	The average tax rate (mill levy) computed by: $\frac{\text{Total property tax required}}{\text{Total area-wide assessed valuation}} \times 1,000 = \text{Average Mill Rate}$
Assessed valuation	The value of real estate and other taxable property established by the municipality as a basis for levying taxes. By state law, all taxable property must be assessed annually at 100% of market value.

Balanced budget	A budget in which sufficient revenues must be available to fund anticipated expenditures.
Budget unit	An organization level for which a budget is prepared. This is usually a division or section, depending on the organizational structure of the particular department.
Charter	The governing document which created the Municipality of Anchorage as a home rule government. The charter was adopted in 1975 and may be amended only by a majority of those voting on the proposed amendment.
Code	The laws which interpret and implement the municipal charter. The code is adopted and may be revised by ordinance approved by at least six members of the Assembly.
Debt Service	Principal and interest payments on debt incurred (bonds sold) by the municipality.
Direct costs	Salaries and other personnel expenses, supplies, contracts and other purchased services, debt service, machinery and other capital expenses. The Assembly appropriates a department's direct costs for the fiscal year.
Expense	General government expenses include salaries, wages, supplies, contracts, debt service, purchases of machinery and equipment.
Fiscal year	An accounting term for the budget year. The fiscal year of the municipality is January through December 31.
Function cost	<p>The appropriation level for funds (or service areas). Function cost is calculated as follows:</p> $\begin{array}{rcl} \text{Direct} & + & \text{Intragovern-} & - & \text{Intragovern-} & = & \text{Function} \\ \text{cost} & & \text{mental charges} & & \text{mental charges} & & \text{cost} \\ & & \text{from others} & & \text{to others} & & \end{array}$ <p>The function cost of a particular fund is the sum of the function costs of all budget units assigned to the fund.</p>

Fund	An accounting entity designed to isolate the expenses and revenues of a particular program or service. Funds are classified according to type: general, enterprise, debt service, etc. The expenses and revenues are accounted for according to generally accepted accounting principles. Each service area established in the municipality is assigned a unique fund number and title.
Fund balance	A reserve equal to approximately 10% of the appropriation for each fund. This protects against shortfalls in revenue collection, allows adequate cash flow management and provides the financial ability to meet emergencies.
Intragovernmental charge	The charge for a service which one budget unit (servicer) provides to another (requestor). Charges to other budget units are counted as revenues; charges from others are counted as expenses.
Mill levy or Mill rate	<p>A rate of tax to be assessed on all taxable property. Mill rates are expressed in terms of \$1 of tax per \$1,000 of assessed value. Mill levy is computed as follows:</p> $\frac{\text{Property tax required in a service area}}{\text{Total assessed value of taxable property in the service area}} \times 1,000 = \text{Mill Levy}$
Net program cost	<p>The amount required to support a program that is not directly earned by the program. Net program cost must be funded by allocated revenues or property taxes. It is computed as follows:</p> $\begin{array}{rcl} \text{Direct cost} & + & \text{Intragovernmental charges from others} \\ & & - \text{Intragovernmental charges to others} \\ & & - \text{Program revenues} & = & \text{Net Program Cost} \end{array}$
Program plan	A description of the work to be performed and resources required for each major type of activity (program).
Program revenue	Revenues earned by a program, including fees for service, license and permit fees and fines.

Property tax

Total amount of revenue to be raised by levying taxes on real and personal property. Property tax is computed as follows:

Net program costs for all budget units in a particular fund	-	Allocated revenues assigned to the fund and fund balance	=	Property tax required for the fund to meet the budget
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Resources

The personnel and financial requirements of each program. Personnel resources are stated in terms of full-time, part-time and temporary positions. Financial resources are stated in terms of five major expense categories (personal services, supplies, other services, debt services and capital outlay).

Service area

A legal entity which funds particular governmental services. Service areas are created, altered or abolished only with the approval of a majority of those voting on the question within the affected area. The services are financed only from taxes on property within the area (after all other revenue sources are applied). Areawide some services are provided to, and paid for by, taxpayers throughout the municipality. Other services are limited to smaller geographic areas. Examples of service areas are:

- Chugiak Fire Service Area
- Anchorage Police Service Area
- Anchorage Roads and Drainage Service Area
- Girdwood Valley Service Area.
- Glen Alps Service Area.

Service level

An amount of work to be accomplished with a given level of resources. Service levels are developed by departments during the zero-base budgeting process to present various incremental levels of work and resources to accomplish a program.

Spending limitation

Anchorage Municipal Code Section 6.10.037 established a spending limitation on general government tax-supported services. It generally limits per capita expenditure increases to the amount of inflation (as measured by the Anchorage consumer price index) and expenditures required to provide voter and legally mandated services.

Tax limitation	A charter amendment passed by the voters of Anchorage in October 1983, which sets an upper limit on the amount of taxes the municipality can levy in any given year. The tax limit is generally based on the amount levied in the previous year, increased by the rate of inflation and the five-year average population growth. Exceptions to the limit are taxes allowed for payment of debt service and judgments against the municipality and taxes to fund voter-approved services.
Tax requirement	The amount of property tax allowed and necessary to fund the budget.
Tax-supported	A term used to indicate programs or funds which depend, to some degree, on property taxes as a source of revenue. Those which are not tax-supported earn sufficient program revenues, allocated revenues and/or intragovernmental charge revenues to balance their budgets.
Vacancy factor	A portion of personal services costs which probably will not be spent during the budget year. Vacancy factor is determined for each department based on historical amounts unspent due to interim position vacancies, attrition and filling positions at a lower salary step than budgeted. The personal services amounts shown in the budget are net, since the vacancy factor has already been subtracted.
Zero-base budgeting (ZBB)	A budgeting process which allows for review of varying levels of service at varying levels of resources required. The underlying assumption for a zero-base budget is that existing and new programs should be equally scrutinized and prioritized annually.