

GUIDE TO THE 1982 BUDGETTHE MUNICIPAL BUDGET

The annual operating and capital budgets set forth the financial plan of operation for the government of the Municipality of Anchorage. The Municipal budget is divided into three parts: general government, utilities, and capital improvement. The operating budget becomes effective on January 1 of each year and any funds that have not been expended or encumbered by December 31 of that year will lapse into the applicable fund balance. The capital budget also becomes effective January 1 but the funds remain appropriated until each project is completed or deleted.

The budget is appropriated by the Assembly by fund (service area) and department. The Mayor may transfer all or part of any unencumbered balance between categories within an appropriation (i.e., within the same department and fund). The Assembly may transfer part or all of any unencumbered balance from one appropriation to another.

General Government Operating Budget

This portion of the budget is of particular interest to the Anchorage taxpayer since it is this portion that is financed by property taxes. Approximately half of the general government budget, which covers the operations and maintenance of police, fire, street maintenance, parks and recreation, and other organizations that provide general government services, is funded by state revenues. Approximately one-fourth is funded by property taxes and the remainder comes from federal revenues and other local sources.

State and federal grants are not included in the general government budget. They are supplemental appropriations and are appropriated at the time the grant notice of award is received and are closed at the completion of the grant period. Local match contributions for certain ongoing grants are included in the Non-Departmental portion of the general government budget.

Utilities Operating Budget

The utilities budget, which covers the operations and maintenance of the Municipal light and power, telephone, sewer and water utilities, is financed almost entirely from the sale of utility services. Since utility revenues are derived from user charges and do not come from local taxes, user rates must be adequate to generate sufficient operating funds to meet customer growth.

Capital Improvement Budget

The capital improvement budget, in contrast to the two annual operating budgets described above, is for the purchase of high cost, long lasting assets such as roads, buildings, and land. A large portion of this budget is normally financed by long-term borrowing through the sale of Municipal general obligation bonds for general government and Sewer Utility projects and revenue bonds for other utility projects. Property taxes are used to pay back the loan on the general obligation bonds and utility user rates repay the loan on the revenue bonds. The costs of operating and maintaining these assets would be reflected in the applicable operating budget rather than in the capital improvement budget.

In addition, some federal and state grant revenues and local revenue sources are used for capital improvements. The capital improvement projects which are dependent wholly or in part on obligation bond issues must be approved by the voters.

SERVICE AREA CONCEPT

The Municipal fiscal philosophy incorporates a "service area concept" whereby taxpayers in different areas or taxing districts of the Municipality pay only for those services which they receive. First, let us look at the background of this concept.

The City of Anchorage was created on November 23, 1920. The City provided the same type and level of services to all taxpayers within its boundaries and in addition managed three utilities: telephone, electric and water.

The Greater Anchorage Area Borough was created on January 1, 1964. State law mandated the services that had to be provided on an areawide basis to all taxpayers, such as health, property assessment, tax collection, education and planning. All other services had to be voted on and approved by the taxpayers that were to receive the services. This service area concept gave the taxpayers more control over the type and level of service that they were willing to be taxed for but created the need for a complex budgeting and accounting system.

These two governmental entities were unified to become the Municipality of Anchorage on September 16, 1975. The service area concept was retained in the Charter of the new government.

INTRAGOVERNMENTAL CHARGE SYSTEM (IGCS)

The Intragovernmental Charge System that is used by the Municipality of Anchorage is a refinement of that originally developed by the Greater Anchorage Area Borough in 1972 to meet the requirements of service area accounting.

All governmental entities incur both direct and indirect costs. Direct costs are those which can be readily identified with a single project or program and can be directly charged to them.

Indirect costs are not so easily identified with any single project or program, since they benefit more than one of these areas.

Hence, in order to determine the full cost of projects and programs (such as Utilities, Police, Fire and Transportation) these indirect charges must be distributed to the appropriate budget units.

The Municipality of Anchorage requires the Intragovernmental Charge System or a comparable system for several reasons:

- The most important reason is the organization of the Municipality itself. This organizational structure separates the total population into a number of taxing districts and provides different levels or types of services to each (the service area concept). Each service within the taxing districts has its own millage rate based on cost. The sum of these service millage rates within a taxing district comprises the millage rate by which taxes are levied.
- Costs of common central support activities, such as personnel or accounting, must be distributed equitably to all service areas and taxing districts. Because of the number of taxing districts and service areas, the extent of differences in services for each and the interaction of services, a sophisticated system of intragovernmental unit charges or allocations is necessary.
- Municipal utilities receive administrative and other support from many organizations within the Municipality. The costs of utility operations are supported by revenues from individual users or rate payers. The IGCS provides the tool for charging the utility, and therefore, rate payers, for the costs of the services received by or benefitting it. If these charges were not made, taxpayers would be subsidizing utility operations and reducing rates below the full cost of utility services.
- The IGCS provides a mechanism for identifying most indirect costs of federal grant support activity. These costs can be readily accumulated and included in an Indirect Cost Allocation Plan for the Municipality.
- Capital Improvement projects are funded by bonds, general and state revenues and local sources. Accurate projects cost are necessary and must include indirect costs of project administration as well as direct costs of engineering and construction.

HOW TO USE THE 1982 BUDGET DOCUMENTFormat

The 1982 operating budget document is divided into the following parts:

- Mayor's Budget Message
- Summary Schedules
- Mill Levies and Revenues
- Departmental Budgets:
  - General Government
  - Utilities
  - Capital Improvement Budget

In addition to the complete versions of the 1982 operating budget, which are distributed to selected individuals and organizations, there are one-volume departmental versions distributed within specified departments. These departmental versions contain all of the first three items listed above but only the departmental version contains intragovernmental charge data affecting the department.

The following information is generally included for each department in the indicated sequence:

Departmental Data

- Organization Chart
- Departmental Summary of Objectives
- Departmental Summary (expenditures and revenues)

Budget Unit Data (in budget unit numerical sequence)

- Work Program
- Resource Summary

The material is organized to first show what the department or budget unit plans to do in 1982 and, second, the resources required to do the job.

General Governmental Operating Budget Cross-ReferencesDepartmental Summary

The amount shown for each budget unit is the Direct Organizational Costs from the "Resource Summary" form for that budget unit.

The intragovernmental charges, revenues, and local tax cost is the summation of the amounts on the "Resource Summary" forms for the budget units for the department.

Resource Summary

The Resource Summary documents the financial and personnel resources required by a budget unit to undertake its planned work program in 1982. Financial resources are summarized at the object level of expense (1000 - Personal Services, for example). Revenues are summarized at the major category level (Federal, State, Fund Balance, etc.). The detailed intragovernmental charge information is published in a separate volume and is also contained in the Departmental versions of the budget.

The following Personnel Benefits percentages have been used in developing the 1982 budget:

|                            | <u>General Gov.</u> | <u>Fire</u>   | <u>Police</u> |
|----------------------------|---------------------|---------------|---------------|
| Retirement                 | 14.83%              | 31.68%        | 27.01%        |
| Social Security            | 4.50                | .06           | .80           |
| Medical & Dental Insurance | 10.80               | 7.44          | 8.50          |
| Life Insurance             | 1.50                | 1.20          | .56           |
| Unemployment Compensation  | 1.10                | 1.10          | 1.10          |
| Legal Fees                 | .02                 | -0-           | -0-           |
| Long-Term Disability       | .15                 | .02           | .03           |
| Accrued Leave              | 2.60                | 2.00          | 2.00          |
|                            | <u>35.50%</u>       | <u>43.50%</u> | <u>40.00%</u> |