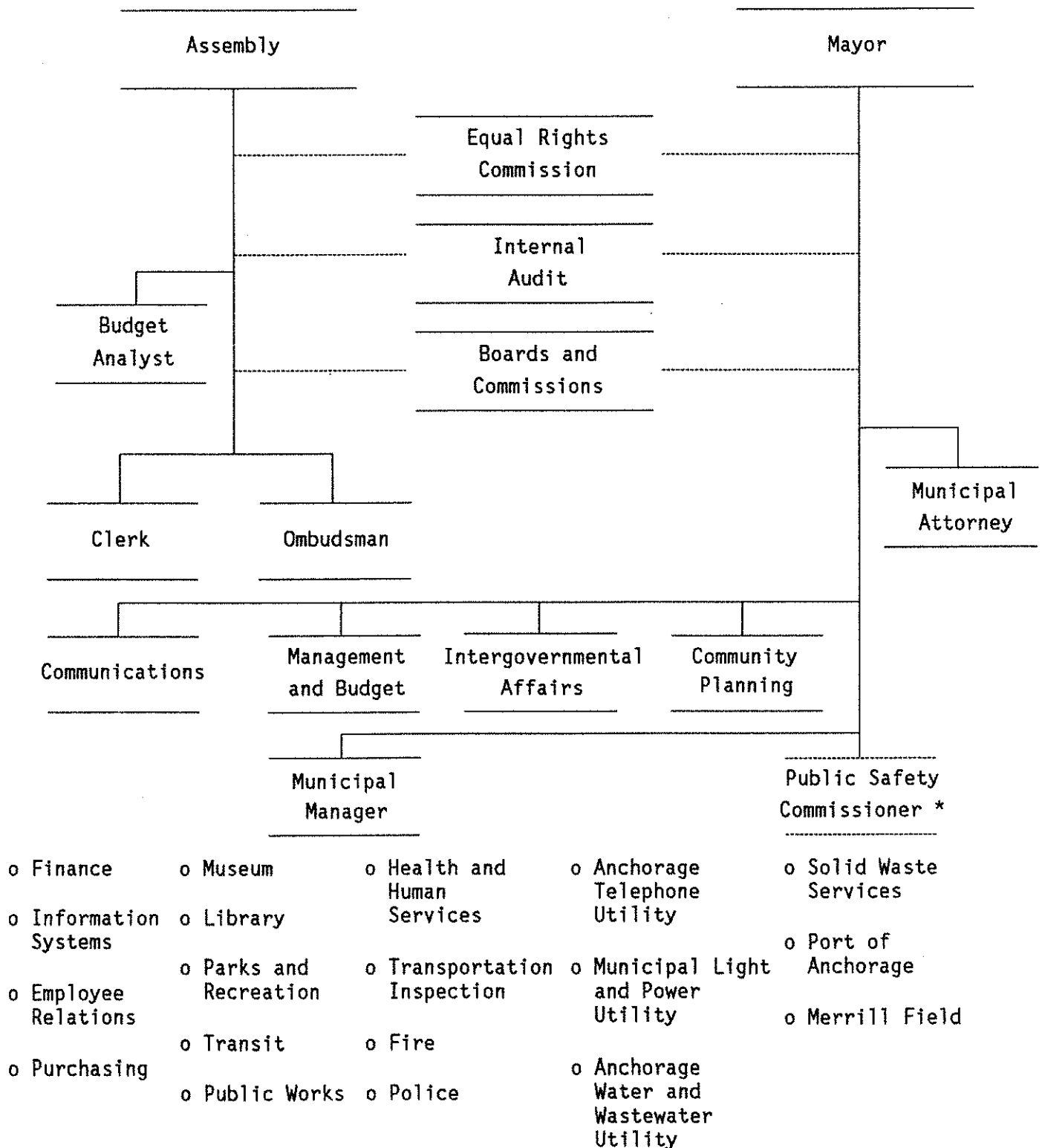


BUDGET OVERVIEW

**1988 GENERAL GOVERNMENT OPERATING BUDGET
MUNICIPALITY OF ANCHORAGE
ORGANIZATION**



* Public Safety Commissioner duties are performed on an additional assignment basis.

Note: The public utilities publish a separate budget document.

MUNICIPALITY OF ANCHORAGE

OVERVIEW OF THE 1988 GENERAL GOVERNMENT OPERATING BUDGET

Between 1985 and 1987, the general government operating budget was cut \$20 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 proposed 1988 operating budget continues the two-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 1987 budget noted that further cuts would be required in 1988, 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 proposed 1988 budget continues the approach of phasing reductions where possible, consistent with the best available information on future budget trends.

REVENUE NOTES

State revenues: Although the state FY 88 budget cut municipal aid 20%, a change in the timing of revenue sharing payments will bring some revenue forward into our 1988 budget, balancing out the state aid reductions. In addition to the 20% cut, the state shifted financial responsibilities to local communities (e.g., \$1.5 million more to Anchorage in prisoner care costs). Since state oil revenues are considerably larger than when the budget was passed last spring, the Municipality will be requesting supplemental funding for Alaska communities, with the amount to Anchorage being \$1.5 million.

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: All fees have been reviewed for possible increases and numerous adjustments have been implemented or are being proposed. For instance, a museum admission fee will be charged between May and September to capture additional revenues from visitors. An on-site sewer fee is being proposed and various Public Works fees have recently been instated or increased.

Utility revenue distribution: The budget includes a \$5 million distribution of profits from Anchorage Telephone Utility to general government for tax relief. This is just under the amount permitted by ordinance: 5% of gross revenues.

Property taxes: The budget proposes taxing virtually at the charter tax limit of \$90.6 million. This is a departure from the last three budgets which ranged from \$1.4 to \$9.9 million under the limit. This decision is based on the fact that further budget cuts would have the strong negative economic effect of even more layoffs on top of the 153 full-time jobs already eliminated in this budget.

EXPENDITURE NOTES

Increased or new expenses: This budget had to accommodate nearly \$7 million in higher costs for prisoner care, police/fire retirees medical coverage, workers' compensation claims, utilities at municipal facilities, fire hydrant maintenance, etc. New facilities such as Bartlett Pool and the Performing Arts Center and increased contributions for economic development account for another million dollars. Incorporating these increased or new costs into the already shrinking budget has the de facto effect of reducing the overall municipal budget by 6.6%, although the actual dollar reduction is 2.4%.

Employee wages and benefits: The budget assumes a 5% average reduction in the total cost of wages and benefits from 1988 contractual levels. All municipal employees (except those in the police bargaining unit) took a wage freeze in 1987. If there is a freeze for all employees through 1988, the MOA will save approximately 3% from the 1988 contractual labor costs. The other 2% savings is proposed to be taken from benefits or other labor cost reductions. (Executive are already slated for a wage freeze and benefit reductions.)

Debt service: Sale of any bonds approved in the October 1987 election can be timed late enough in the spring to ensure availability of funds for summer construction yet delay the first debt service payment until 1989.

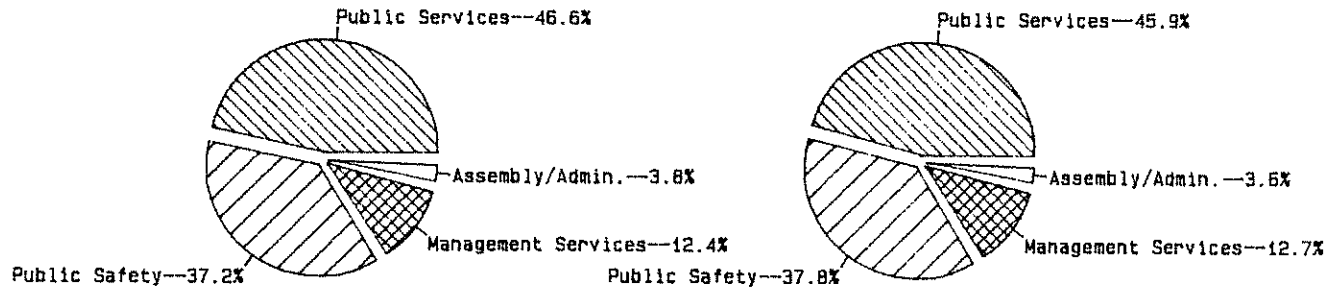
1988 Proposed General Government Operating Budget

DIRECT COST APPROPRIATION BY FUNCTIONAL AREA

Public Services/ Transportation/ Neighborhoods		Public Safety	Management Services	Assembly Administration			
Public Works	\$51,648,100	Police	\$35,497,520	Municipal Manager	\$ 2,028,380	Assembly	\$1,272,020
Parks and Recreation	12,154,620	Fire	26,450,750	Finance	13,222,400	Equal Rights Commission	403,130
Transit	8,688,350	Health & Human Services	10,416,710	Information Systems	6,184,440	Internal Audit	341,340
Library	7,221,370	Transportation Inspection	155,890	Employee Relations	1,901,770	Office of the Mayor	2,818,800
Museum	1,108,320			Purchasing	937,930	Municipal Attorney	2,022,360
Community Planning	2,452,720						
Non- Departmental	4,784,790						
TOTAL	\$88,058,270		\$72,520,870		\$24,274,920		\$6,857,650

1987 Revised

1988 Budget



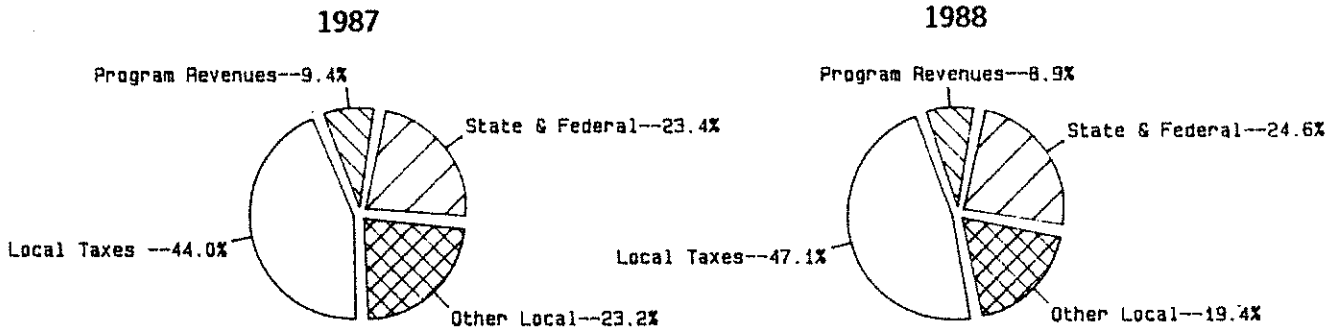
1987 Revised

1988 Budget

1988 General Government Operating Budget

SOURCES OF FUNDS

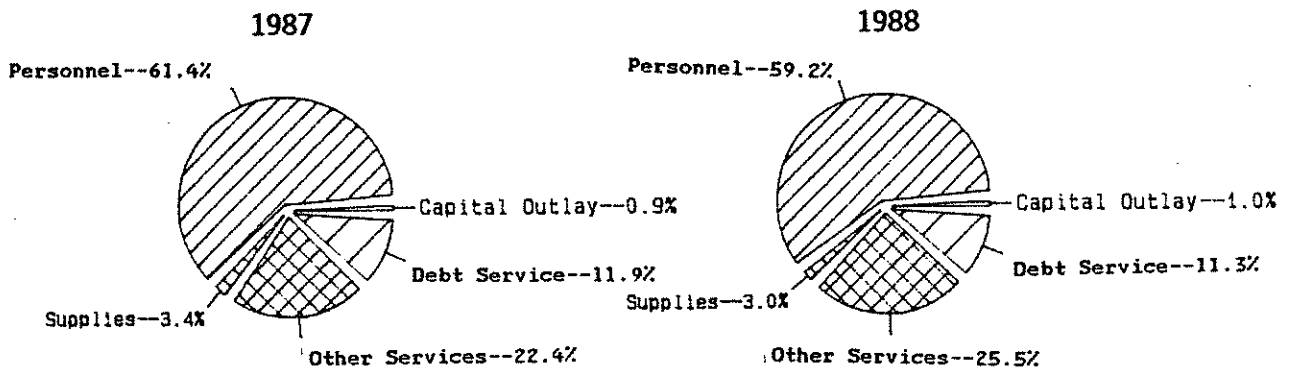
	<u>1987 Revised</u>	<u>1988 Budget</u>
State and Federal Revenues	\$ 45,887,790	\$ 47,160,750
Program Revenues	18,522,690	17,125,600
Local Taxes on Existing Property	84,792,360	89,149,840
Taxes on New Construction	1,363,250	1,109,790
Additional Taxes Approved for Eagle River Parks and Recreation SA	308,840	-0-
Other Local Revenues	45,542,200	37,165,730
Total	\$196,417,130	\$191,711,710



Estimated assessed valuation	1987: \$12.1 billion	1988: \$11.0 billion
Average mill rate	1987: 7.16 mills	1988: 8.18 mills

DIRECT COST BY TYPE OF EXPENDITURE

	<u>1987 Revised</u>	<u>1988 Budget</u>
Personal Services	\$120,692,530	\$113,511,300
Supplies	6,610,410	5,814,760
Other Services	43,929,150	48,820,570
Debt Service	23,369,490	21,584,360
Capital Outlay	1,815,550	1,980,720
Total	\$196,417,130	\$191,711,710



1988 General Government Operating Budget

SUMMARY OF ALL REVENUE ACCOUNTS

Revenue Source	1986 Revised	1987 Revised	1988 Budget
FEDERAL REVENUES			
9311 Federal Revenue Sharing	\$ 5,388,810	\$ -0-	\$ -0-
9312 Federal in Lieu of Property Tax	460,000	375,890	375,890
9324 Mass Transportation	500,000	575,000	575,000
9331 Other Federal Grant Revenue	40,000	48,600	50,500
9357 National Forest Allocation	1,480	1,480	1,480
Total Federal Revenues	\$ 6,390,290	\$ 1,000,970	\$ 1,002,870
STATE REVENUES			
9342 Municipal Assistance	\$ 37,029,480	\$ 29,623,580	\$ 24,697,820
9344 Fisheries Tax	66,700	94,990	94,990
9346 Health Facilities	1,245,290	824,380	824,380
9347 Liquor Licenses	320,570	307,380	307,380
9348 Amusement Device Licenses	20,000	22,640	22,640
9349 Road Maintenance	1,739,370	1,408,890	1,408,890
9353 State Reimbursement for Jail Costs	-0-	-0-	1,500,000
9355 Electric Co-Op Allocation	667,000	652,790	652,790
9362 General State Revenue Sharing	16,853,280	11,919,670	16,616,490
9461 State Highway Maintenance	-0-	-0-	-0-
9481 State of Alaska - 911	32,500	32,500	32,500
Total State Revenues	\$ 57,974,190	\$ 44,886,820	\$ 46,157,880
LOCAL REVENUES			
9003 Penalty/Interest on Delinquent Taxes	\$ 1,000,000	\$ 1,606,860	\$ 1,676,130
9004 Tax Cost Recoveries	71,000	77,080	77,080
9006 Auto Tax	4,138,280	3,637,210	3,340,340
9021 Franchises	510,710	555,210	555,210
9022 Payment In Lieu of Taxes	68,110	100,190	100,190
9023 Hotel and Motel Taxes	3,832,290	3,493,120	3,493,120
9024 Penalty/Interest on Hotel/Motel Taxes	3,900	16,600	16,600
9111 Building and Trade Licenses	26,000	34,200	25,000
9112 Taxicab Permits	157,640	155,000	157,500
9113 Contractor Certificates and Examinations	2,500	4,500	2,500
9114 Chauffeur Licenses	14,000	14,000	14,000
9115 Taxicab Permit Revisions	10,620	10,630	10,630
9116 Local Business Licenses	70,000	59,300	60,000
9117 Chauffeur License Renewal	18,250	21,000	21,000
9118 Bicycle Licenses	100	100	100
9131 Plan Checking Fees	698,940	555,000	405,000

1988 General Government Operating Budget

SUMMARY OF ALL REVENUE ACCOUNTS

Revenue Source	1986 Revised	1987 Revised	1988 Budget
9132 Building Permits	\$ 1,554,030	\$ 939,030	\$ 780,000
9133 Electrical Permits	450,000	205,070	165,000
9134 Gas and Plumbing Permits	465,000	248,070	210,000
9135 Moving Fence/Sign Fees	1,190	12,000	12,000
9136 Construction and Right-of-Way Permits	134,300	108,000	150,000
9137 Elevator Inspection Fees	90,000	59,540	90,000
9138 Mobile Home Inspection Fees	27,000	31,290	31,800
9139 Land Use Permits	97,390	20,000	16,000
9141 Amusement Surcharge	75,800	75,600	85,000
9143 Parking and Access Agreement Fees	-0-	-0-	550
9191 Animal Licenses	14,000	40,000	40,000
9199 Miscellaneous Permits	37,500	16,150	23,500
9211 Court Fines and Forfeitures	1,163,800	1,170,780	1,485,500
9212 Failure to Appear Warrants	355,500	355,500	-0-
9213 Library Book Fines	10,740	53,280	53,810
9215 Other Fines and Forfeitures	23,500	18,000	20,000
9411 Platting Fees	300,000	150,000	70,000
9412 Zoning Fees	100,000	72,500	50,000
9413 Sale of Publications	40,000	18,250	15,500
9415 Miscellaneous Map Sales	21,000	14,000	12,000
9416 Address Fees	-0-	7,500	101,000
9417 Zoning Inspection	-0-	22,000	1,000
9418 Emission Certificate Fee	1,450,000	1,408,420	1,185,000
9419 Emission Inspection Test Fee	-0-	20,000	25,000
9421 Septic System Annual Permit	-0-	-0-	250,000
9423 Family Planning Fees	97,000	90,000	85,000
9424 Travel Immunization	-0-	2,000	2,000
9425 Dispensary Fees	47,500	40,000	57,300
9426 Sanitary Inspections Fees	499,170	482,350	673,500
9431 Public Transit Fees	1,414,650	1,390,590	1,160,800
9436 Transit Charter Fees	20,960	20,000	20,000
9441 Recreational Activities	246,540	292,000	302,000
9443 Swim Fees	663,710	1,016,760	1,047,110
9445 Cemetery Fees	32,000	78,150	50,000
9446 Ski Fees	11,000	12,000	8,000
9447 Golf Fees	25,000	40,000	40,000
9448 Camper Park Fees	90,000	93,000	84,000
9449 Sydney Laurence Auditorium/ 4th Avenue Fees	74,870	-0-	-0-
9451 Ambulance Service Fees	1,180,100	770,000	1,008,000
9452 Fire Training Center	-0-	36,500	18,000
9453 Fire Alarm Fees	15,600	15,600	14,400
9454 State Fire Training Contract	36,500	-0-	-0-
9456 Admission Fees	-0-	-0-	121,300
9462 Subdivision Inspection Fees	379,240	350,000	100,000
9463 Mapping Fees	50,000	62,000	45,000

1988 General Government Operating Budget

SUMMARY OF ALL REVENUE ACCOUNTS

Revenue Source	1986 Revised	1987 Revised	1988 Budget
9464 Demolition Services	\$ 15,000	\$ -0-	\$ -0-
9471 Building Rental	87,080	-0-	31,000
9478 Parking Authority Income	-0-	-0-	358,030
9484 Animal Shelter Fees	120,000	160,000	145,000
9492 Service Fees - School District	555,000	230,000	302,590
9493 Microfiche Sales	27,800	26,000	12,700
9494 Clinic Fees	54,000	49,500	66,110
9495 Parking Authority Service Fees	154,480	108,220	26,820
9498 Unbilled Revenue (Flex-Benefits)	-0-	-0-	11,500
9499 Reimbursed Costs	1,089,450	1,431,060	1,377,860
9532 Miscellaneous Nonoperating Income	10,000	10,000	20,000
9601 Contributions from other Funds	196,970	120,070	152,620
9623 Utility Revenue Distribution and Savings from ATU	5,500,000	7,000,000	5,000,000
9711 Assessments	1,500,000	746,070	585,000
9712 Penalty/Interest on Assessments	592,000	689,920	400,550
9731 Lease and Rental Revenues	758,450	754,450	729,250
9732 Lease State Land Conveyance	55,000	55,000	44,910
9741 State Land Sales	934,550	934,550	750,000
9742 Other Property Sales	122,600	102,500	5,000
9745 Gain on Sale of Investments	-0-	1,392,280	-0-
9752 Parking Garages & Lots	-0-	71,120	39,280
9761 Cash Pool Short-Term Interest	6,946,520	5,055,230	3,692,980
9762 Other Short-Term Interest	210,300	829,820	384,640
9765 Long-Term Interest	800,000	-0-	-0-
9782 Lost Book Reimbursement	700	6,400	11,870
9783 Library Fees	1,400	23,320	8,400
9784 Beverage Revenue	24,600	-0-	-0-
9793 Liquor Licenses	5,000	5,000	1,000
9794 Appeal Receipts	11,500	40,250	11,600
9795 Sale of Contractor Specifications	20,000	26,000	15,000
9796 Transit Advertising Fees	30,000	80,000	55,000
9797 Copier Fees	57,770	58,250	56,960
9798 Miscellaneous Revenue	600	60,700	75,700
9822 Fire Training Center Fees	21,470	-0-	-0-
Total Local Revenues	\$ 41,819,170	\$ 40,261,640	\$ 34,034,840
OTHER REVENUES			
Intragovernmental Revenues	\$ 18,664,580	\$ 15,844,640	\$ 13,790,130
Fund Balance Applied	6,291,900	8,559,660	7,242,440
Taxes	83,934,010	86,464,450	90,259,630
Restricted Profits	(151,380)	(601,050)	(776,080)
Total Other Revenues	\$108,739,110	\$110,267,700	\$110,516,120
TOTAL REVENUES	\$214,922,760	\$196,417,130	\$191,711,710

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 28 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 21 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, 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 a budget management group which includes the management and budget director, municipal manager, public safety commissioner, chief fiscal officer and municipal attorney. This group then makes 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 Maintenance Support Division maintains all general government buildings. Maintenance costs are budgeted in Maintenance Support 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:

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

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; and glossary of terms.
- A separate volume titled "Fiscal Trends Report" gives historical information on government spending and public/private sector activity levels, and six year projections of general government expenditures and revenues. It describes the impact of various levels of future capital and operating expenditures and fiscal policy considerations.

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		
Direct Costs	1987 \$ 1,149,980	1988 \$ 1,108,320
Program Revenues	\$ 152,820	\$ 221,280
Personnel	21FT 3PT	18FT 4PT 3T

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.

1968 RESOURCE PLAN										
DEPARTMENT: MUSEUM	FINANCIAL SUMMARY				PERSONNEL SUMMARY					
	DIVISION	1967 REVISED	1968 BUDGET	1967 REVISED			1968 BUDGET			
				FT	PT	T	TOTAL	FT		PT
MUSEUM	992,990	956,190	21	3		24	18	4	3	25
OPERATING COST	992,990	956,190	21	3		24	18	4	3	25
ADD DEBT SERVICE	156,990	152,130								
DIRECT ORGANIZATION COST	1,149,980	1,108,320								
ADD INTRAGOVERNMENTAL CHARGES CHARGES FROM OTHERS	448,690	672,720								
TOTAL DEPARTMENT COST	1,618,670	1,781,040								
LESS INTRAGOVERNMENTAL CHARGES TO OTHERS	133,560	52,920								
FUNCTION COST	1,485,110	1,728,120								
LESS PROGRAM REVENUES	152,820	221,280								
NET PROGRAM COST	1,332,290	1,506,840								
1968 RESOURCES BY CATEGORY OF EXPENSE										
DIVISION	PERSONAL SERVICES	SUPPLIES	OTHER SERVICES	CAPITAL OUTLAY	TOTAL DIRECT COST					
MUSEUM	817,410	27,320	113,310	3,150	961,190					
DEPT. TOTAL WITHOUT DEBT SERVICE	817,410	27,320	113,310	3,150	961,190					
LESS VACANCY FACTOR	5,000				5,000					
ADD DEBT SERVICE					152,130					
TOTAL DIRECT ORGANIZATION COST	812,410	27,320	113,310	3,150	1,106,320					

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 1987 REVISED TO 1988 BUDGET				
DEPARTMENT: MUSEUM				
	DIRECT COSTS	POSITIONS		
1987 Revised Budget:	\$ 1,149,980	21FT	3PT	
REDUCTIONS TO EXISTING PROGRAMS:				
- Reduction of 1% for Art staff	(60,400)	(2FT)	1PT	
- Administration/management	(56,270)	(1FT)		
EXPANSIONS IN EXISTING PROGRAMS:				
- None				
NEW PROGRAMS:				
- Admission fee collection expense	27,680		3T	
MISCELLANEOUS INCREASES (DECREASES):				
- Salary adjustments for longevity and other miscellaneous adjustments	66,530			
- Debt service reduction	(4,860)			
- 6.6% benefits adjustment	(14,340)			
1988 BUDGET	\$ 1,108,320	18FT	4 PT	3T

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.

1988 PROGRAM PLAN

DEPARTMENT: MUSEUM DIVISION: MUSEUM
PROGRAM: Basic Museum Operations

PURPOSE:

To present basic programs and activities in the Anchorage Museum.

1987 PERFORMANCES:

- Operate and maintain 6 galleries for the permanent collection and 3 galleries for temporary exhibitions, plus 2 gallery levels in the atrium for an estimated 150,000 visitors.
- Operate the native culture and history of Alaska exhibits.
- Organize and present 150 public programs in the auditorium; operate the education facility and Children's Gallery.
- Operate and maintain the reference library and Museum Shop.
- Continue a voluntary admission donation program.

1988 OBJECTIVES:

- 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.

RESOURCES:

	1986 REVISED			1987 REVISED			1988 BUDGET		
	FT	PT	T	FT	PT	T	FT	PT	T
PERSONNEL:	20	2	2	21	3	0	15	3	0
PERSONAL SERVICES	\$	885,140		\$	862,320		\$	653,680	
SUPPLIES		35,610			26,810			24,740	
OTHER SERVICES		138,020			56,230			58,570	
DEBT SERVICE		155,410			156,990			152,130	
CAPITAL OUTLAY		1,150			0			0	
TOTAL DIRECT COST:	\$	1,215,330		\$	1,102,350		\$	889,120	
PROGRAM REVENUES:	\$	87,680		\$	152,820		\$	91,510	

PERFORMANCE MEASURES:

- Visitors	170,000	150,000	139,000
- School tours	420	300	131
- Hours of operation	2,376	2,376	2,376
- Galleries open	11	8	7
- Adult tours	120	180	168
- 1% for Art projects	32	25	18

5 SERVICE LEVELS ARE FUNDED FOR THE DEPARTMENT. THIS PROGRAM HAS LEVELS:

1

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. **1987 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.

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: $\frac{\text{Total property tax required} \div \text{Total area-wide assessed valuation}}{\times 1,000} = \text{Average Mill Rate}$
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 The appropriation level for funds (or service areas). Function cost is calculated as follows:

$$\begin{array}{rcl} \text{Direct} & + & \text{Intragovern-} & - & \text{Intragovern-} & = & \text{Function} \\ \text{cost} & & \text{mental charges} & & \text{mental charges} & & \text{cost} \\ & & \text{from others} & & \text{to others} & & \end{array}$$

The function cost of a particular fund is the sum of the function costs of all budget units assigned to the fund.

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 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:

$$\frac{\text{Property tax required in a service area}}{\text{Total assessed value of taxable property in the service area}} \times 1,000 = \text{Mill Levy}$$

Net program cost 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:

$$\begin{aligned} & \text{Direct cost} + \text{Intragovernmental charges from others} - \text{Intragovernmental charges to others} \\ & - \text{Program revenues} = \text{Net Program Cost} \end{aligned}$$

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.