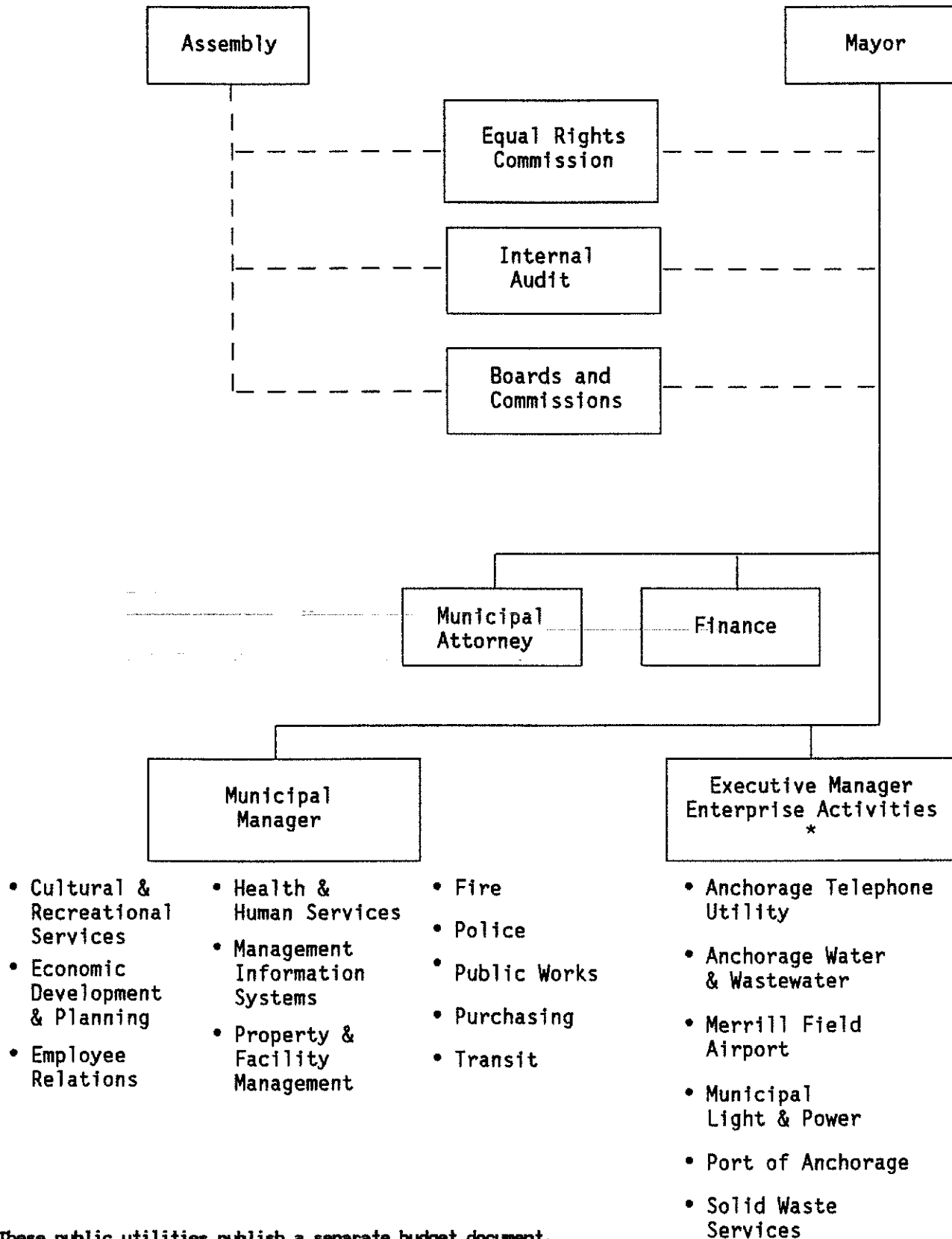


BUDGET OVERVIEW

**1992 GENERAL GOVERNMENT OPERATING BUDGET
MUNICIPALITY OF ANCHORAGE
ORGANIZATION**



MUNICIPALITY OF ANCHORAGE

OVERVIEW OF THE PROPOSED 1992 GENERAL GOVERNMENT OPERATING BUDGET

The 1991 General Government Operating Budget is \$204.1 million. Due to higher labor costs and inflation increases on other costs, the amount required to continue current 1991 programs and services at the same level in 1992 is \$214.4 million. Add to this \$1.8 of mandated increases, and the Municipality of Anchorage has a 1992 budget requirement of \$216.2. However, only \$205.9 million of revenues are available. Therefore, the Municipality will have to reduce the costs of existing general government services by \$10.3 million in 1992. See Appendices F and G for the calculation and causative factors of this \$10.3 million required reductions.

Police, Fire and Street Maintenance will continue at current level. The current programs and services identified for elimination or reduction include:

- Muldoon and Samson-Diamond Libraries closed.
- Alaska Center for the Performing Arts closed.
- Prosecution of all driving-related misdemeanor offenses transferred to the State.
- Saturday and Sunday transit service eliminated.
- Weekday transit service on several routes reduced or eliminated.
- Spenard and Jewel Lake beach swimming areas closed.
- Anchorage Bowl swimming pool operations reduced from 7 to 5 days a week/morning lap swim programs eliminated.
- All current Anchorage Bowl summer recreation programs for children, summer playground programs, and recreation camps focused around the swimming pools eliminated.
- Traffic signal maintenance reduced.
- Painting, stripping, and signing on roadways reduced.
- Spenard and Fairview Community Recreation Center operations reduced from 7 to 5 days a week.
- Kincaid Chalet operation reduced from 7 to 5 days a week.
- Community Council funding reduced.
- Delaney and Tikishla Park hockey rinks closed.
- Lake ice skating areas not maintained.
- Health education, environmental sanitation, and water quality services reduced.
- Russian Jack Springs ski hill closed.
- Grooming of some Anchorage ski trails reduced by 50%.
- Equestrian Center operations assistance reduced by 50%.
- About 300 amenity street lights in the Central Business District and on Spenard Road turned-off.
- Anchorage Economic Development Corporation subsidy eliminated.
- Resource Development Council subsidy reduced.
- Contributions to arts groups and non-profit agencies reduced.
- Eagle River Transportation Plan delayed indefinitely.
- Maintenance and repair of Municipal facilities (including public facilities) reduced.

In addition to the above direct programs and services, support will be reduced in areas such as accounting, auditing, budgeting, training, procurement, management information systems, and various other administrative and technical areas. This will further impact services both to the public as well as to other Municipal agencies and will result in a degradation in the timeliness and quality of Municipal services.

Although the proposed budget shows a reduction of 5 police officer positions, this is not a reduction from the actual current level of service. These 5 positions were added during the 1991 First Quarter Revisions; however, no one was ever hired to fill those new positions. The Police Department is trying to increase neighborhood patrol with existing staff levels; they recently completed training for their last batch of recruits who are now being assigned on their own.

ATU SALE

Any impacts of the proposed ATU sale are not reflected in this Proposed 1992 General Government Operating Budget.

If the sale is approved by the voters on October 1, an addendum to the 1992 budget will be prepared which will show the following impacts on General Government:

- Potential additional revenues.
- Costs that can be reduced.
- Costs that will continue to be charged to the ATU purchaser.
- Costs that cannot be reduced but must be reallocated to other General Government agencies, other Municipal utilities, grants, or the Capital Budget.

REVENUE NOTES

State and Federal Revenues: The \$20.3 million of Municipal Assistance included in this budget has already been appropriated by the State Legislature. The \$12.3 million of State Revenue Sharing will not be appropriated until the spring of 1992 and is assumed to be the same amount as received in 1991. No new State revenues are assumed in this budget; however, we will continue to propose greater State support and economic relief. Federal revenues are forecast to be slightly more than in 1991.

Program and Local Revenues: User fees have been reviewed. Some small adjustments have been made to fee totals but rates remain unchanged. We have been conservative in estimating program revenues due to continuing population and economic activity uncertainties. A \$2.5 million utility revenue distribution of profits from Anchorage Telephone Utility is included; however, Alaska Public Utilities Commission approval is required.

Local Taxes on Existing Property: The proposed budget holds property taxes at the 1991 level for the community as a whole.

Taxes on New Construction: Based on an estimated \$130 million in new construction, property taxes on new construction would be \$1.4 million.

Intragovernmental Charges (IGCs): The 1992 IGC level is based on continuation of existing service and management relationships. As a general rule, the increase in IGC's is caused by labor contract cost increases. The potential sale of ATU has not been addressed in this budget.

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. The amount shown is based on the assumption that \$4.2 million will lapse in 1991.

EXPENDITURE NOTES

Employee Wages and Benefits: The 1992 employee compensation amounts reflected in the proposed budget are those of the new Assembly approved labor contracts and equity adjustments. The yet-to-be-approved Police and Fire contracts are included at the Police factfinders salary recommendations. Fund balances are reserved to fund the 1991 costs increases, thereby reducing the amount of fund balance that can be used to help fund the 1992 budget.

By far, the most important factor impacting 1992 expenditures are the new labor contracts and necessary equity costs increases. The 1992 costs are \$8.5 million greater than 1991 budgeted costs. The 1991 costs are \$3.4 higher than 1991 budgeted costs and will impact the 1992 budget by reducing the amount of fund balance available for appropriation in 1992. The total impact on the 1992 budget is therefore \$11.9 million. The total required reduction in the costs of current programs and services is \$10.3 million. Programs and services could have been increased by \$1.6 million in 1992 rather than cut by \$10.3 million had it not been for the new labor contracts and necessary equity costs increases (see Appendices F and G).

Ballot Initiatives: Funding for debt service for bonds approved by voters in the October 1, 1991 election will be either submitted as a revision to this 1992 budget or included in the 1993 budget, as appropriate. Any service area expansions or mill levy increases approved by the voters on October 1 will be included in a revision to this 1992 budget.

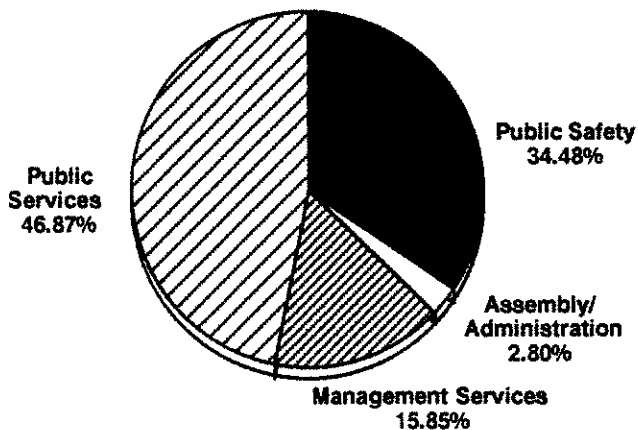
Department Data: Due to the complexity of department budgets and the different levels of program revenues, intragovernmental charges, debt service, and small service area requirements, the best way to analyze a department is through a review of service levels and all supporting schedules. Some of the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

1992 General Government Operating Budget

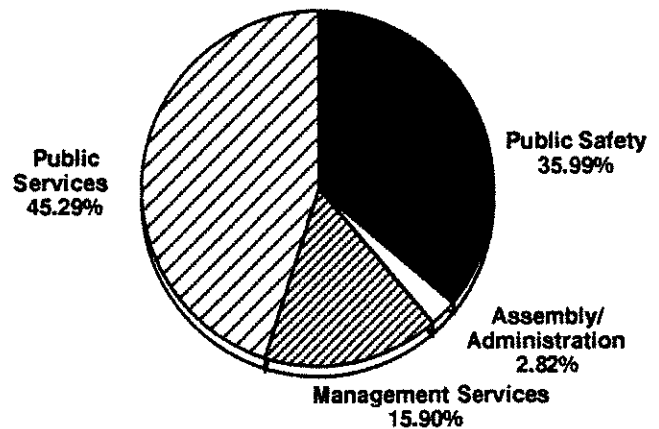
DIRECT COST APPROPRIATION BY FUNCTIONAL AREA

Public Services/ Transportation/ Neighborhoods		Public Safety		Management Services		Assembly/ Administration	
Public Works	\$43,070,660	Police	\$35,991,190	Municipal Manager	\$ 2,474,990	Assembly	\$1,721,730
Cultural & Recreational Services	17,739,890	Fire	27,616,560	Finance	13,878,260	Equal Rights Commission	\$ 451,000
Transit	8,231,770	Health & Human Services	10,496,920	Manage- ment Information Systems	13,022,490	Internal Audit	480,330
Economic Development & Planning	1,855,590			Employee Relations	2,386,920	Office of the Mayor	748,040
Property & Facility Management	15,526,780			Purchasing	985,630	Municipal Attorney	2,401,000
Non- Departmental	6,840,710						
TOTAL	\$93,265,400		\$74,104,670		\$32,748,290		\$5,802,100

**1991 Revised
\$204,110,080**



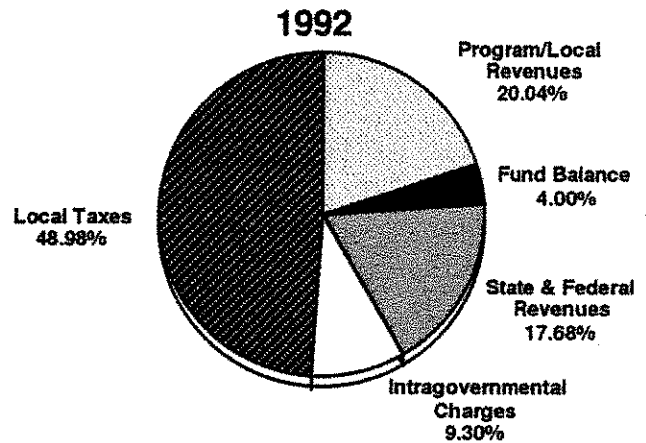
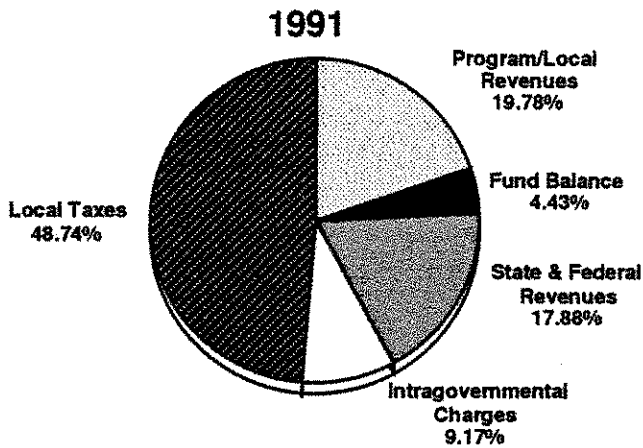
**1992 Budget
\$205,920,460**



1992 General Government Operating Budget

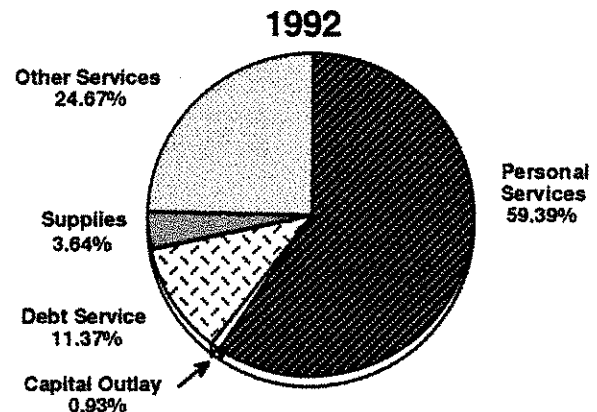
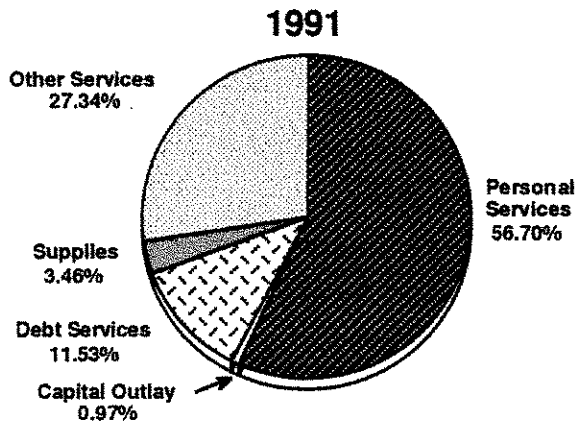
SOURCE OF FUNDS

	<u>1991 Revised</u>	<u>1992 Budget</u>
State and Federal Revenues	\$ 36,494,550	\$ 36,395,710
Program/Local Revenues	40,371,150	41,272,320
Local Taxes on Existing Property	99,493,240	99,493,240
Taxes on New Construction		1,370,200
Intragovernmental Charges	18,710,110	19,160,340
Fund Balance	<u>9,041,030</u>	<u>8,228,650</u>
TOTAL	\$204,110,080	\$205,920,460



DIRECT COST BY TYPE OF EXPENDITURE

	<u>1991 Revised</u>	<u>1992 Budget</u>
Personal Services	\$115,731,060	\$122,296,770
Supplies	7,064,060	7,487,720
Other Services	55,808,430	50,807,840
Debt Service	23,526,220	23,410,100
Capital Outlay	<u>1,980,310</u>	<u>1,918,030</u>
TOTAL	\$204,110,080	\$205,920,460



1992 General Government Operating Budget

SUMMARY OF ALL REVENUE ACCOUNTS

Revenue Source	1990 Revised	1991 Revised	1992 Budget
FEDERAL REVENUES			
9312 Federal in Lieu of Property Tax	\$ 358,150	\$ 337,520	\$ 337,520
9324 Mass Transportation	726,900	700,000	700,000
9331 Other Federal Grant Revenue	64,820	89,250	94,530
9357 National Forest Allocation	2,710	2,630	2,630
9376 Civil Defense	30,000	20,000	20,000
Total Federal Revenues	\$ 1,182,580	\$ 1,149,400	\$ 1,154,680
STATE REVENUES			
9342 Municipal Assistance	\$ 23,486,050	\$ 21,121,320	\$ 20,359,000
9344 Fisheries Tax	167,750	186,950	186,950
9346 Health Facilities	894,860	883,520	889,460
9347 Liquor Licenses	384,740	363,610	363,610
9348 Amusement Device Licenses	27,090	30,480	30,480
9349 Road Maintenance	1,022,520	988,240	978,800
9355 Electric Co-Op Allocation	660,640	663,680	663,680
9362 General State Revenue Sharing	9,752,620	9,752,620	10,414,370
9363 State Traffic Signal Reimbursement	1,311,600	1,311,600	1,311,550
9481 State of Alaska - 911	32,500	43,130	43,130
Total State Revenues	\$ 37,740,370	\$ 35,345,150	\$ 35,241,030
LOCAL REVENUES			
9003 Penalty/Interest on Delinquent Taxes	\$ 2,225,220	\$ 2,639,310	\$ 2,639,310
9004 Tax Cost Recoveries	67,800	63,480	63,480
9006 Auto Tax	3,007,090	3,386,690	3,386,690
9007 Delinquent Taxes	600,000	600,000	600,000
9008 Collection Service Fees	217,500	255,000	300,000
9011 Tobacco Tax	2,586,350	2,586,350	2,638,080
9021 Franchises	615,480	658,720	779,000
9022 Payment In Lieu of Taxes	1,416,550	1,436,290	1,576,290
9023 Hotel and Motel Taxes	4,386,220	5,150,000	5,569,700
9024 Penalty/Interest on Hotel/Motel Taxes	7,490	30,300	30,300
9111 Building and Trade Licenses	25,000	31,000	54,000
9112 Taxicab Permits	162,330	162,330	162,330
9113 Contractor Certificates and Examinations	2,500	3,000	3,000
9114 Chauffeur Licenses	10,500	10,500	10,500
9115 Taxicab Permit Revisions	10,630	10,630	10,630

1992 General Government Operating Budget

SUMMARY OF ALL REVENUE ACCOUNTS

Revenue Source	1990 Revised	1991 Revised	1992 Budget
9116 Local Business	\$ 60,000	\$ 63,000	\$ 59,000
9117 Chauffeur License Renewal	17,500	17,500	17,500
9118 Bicycle Licenses	100	-0-	-0-
9131 Plan Checking Fees	323,900	523,260 *	660,000
9132 Building Permits	641,040	641,040 *	621,940
9133 Electrical Permits	135,700	138,000	240,000
9134 Gas and Plumbing Permits	172,750	174,000	360,000
9135 Moving Fence/Sign Fees	8,340	8,200	7,200
9136 Construction and Right-of-Way Permits	92,130	135,000	89,400
9137 Elevator Inspection Fees	74,100	73,000	96,000
9138 Mobile Home Inspection Fees	6,670	8,200	21,600
9139 Land Use Permits	18,500	24,000	33,000
9142 Site Plan Review Fees	-0-	-0-	6,000
9143 Parking and Access Agreement Fees	350	400	200
9191 Animal Licenses	45,000	50,000	50,000
9199 Miscellaneous Permits	23,450	22,250	20,700
9211 Court Fines and Forfeitures	1,598,930	1,398,700	1,401,830
9213 Library Book Fines	107,670	138,400	147,320
9215 Other Fines and Forfeitures	50,000	49,900	24,000
9216 Pre-Trial Diversion	14,000	14,000	14,000
9411 Platting Fees	40,000	65,000	94,300
9412 Zoning Fees	37,500	42,500	42,200
9413 Sale of Publications	59,500	27,000	148,000
9415 Miscellaneous Map Sales	13,500	5,000	6,000
9416 Rezoning Inspections	1,200	870	1,000
9417 Zoning Inspection	-0-	-0-	-0-
9418 Emission Certificate Fee	1,190,000	1,215,000	1,325,000
9419 Emission Inspection Test Fee	10,000	10,000	12,000
9423 Family Planning Fees	65,000	60,000	60,000
9424 Community Health Fees	-0-	55,250	55,250
9425 Dispensary Fees	35,000	50,000	55,000
9426 Sanitary Inspections Fees	540,480	579,000	587,000
9428 Cook Inlet Air Pollution	7,800	11,000	11,000
9431 Public Transit Fees	1,312,020	1,392,000	1,245,080
9441 Recreational Activities	372,800	362,000	308,700
9443 Swim Fees	824,800	961,860	840,310
9445 Cemetery Fees	56,000	61,000	76,980
9446 Ski Fees	10,000	10,000	5,000
9447 Golf Fees	48,000	114,660	102,060
9448 Camper Park Fees	66,430	65,430	68,000
9451 Ambulance Service Fees	1,050,000	1,180,280	1,180,000
9452 Fire Training Center	18,000	20,000	20,000
9453 Fire Alarm Fees	13,200	13,200	14,400
9456 Admission Fees	226,300	231,300	381,300
9457 Typewriter User Fees	1,010	4,270	4,340
9462 Subdivision Inspection Fees	50,000	50,000	50,000

1992 General Government Operating Budget

SUMMARY OF ALL REVENUE ACCOUNTS

Revenue Source	1990 Revised	1991 Revised	1992 Budget
9463 Mapping Fees	\$ 35,000	\$ 52,500	\$ 62,500
9467 Address Fees	7,500	7,500	7,500
9468 Computer Time Fees	36,000	21,000	21,000
9471 Building Rental	28,000	32,000	35,230
9472 Concessions (0161)	27,600	-0-	-0-
9478 Parking Authority Income	675,000	620,000	620,000
9484 Animal Shelter Fees	239,000	220,000	220,000
9485 Defensive Driving Fees	-0-	23,600	-0-
9492 Service Fees - School District	377,270	416,540	412,960
9493 Microfiche Sales	14,020	14,700	18,000
9494 Clinic Fees	22,500	34,530	50,000
9495 Parking Authority Service Fees	65,000	68,600	86,400
9498 Unbilled Revenue (Flex-Benefits)	10,000	10,000	10,000
9499 Reimbursed Costs	309,700	330,500	334,900
9532 Miscellaneous Non-operating Income	5,000	5,000	-0-
9601 Contributions from Other Funds	278,230	246,700	432,030
9602 Utility Revenue Distribution from ATU	4,000,000	2,500,000	2,500,000
9612 Loans from Other Funds	50,000	-0-	-0-
9613 Loan Recovery	7,000	5,000	-0-
9615 Contribution of Interest from G.O. Bonds	671,380	1,230,190	1,230,190
9711 Assessments	762,600	856,000	708,000
9712 Penalty/Interest on Assessments	694,520	654,000	538,000
9731 Lease & Rental Revenues	427,500	440,780	459,740
9732 Lease State Land Conveyance	32,040	32,040	32,040
9735 Amusement Surcharge	84,500	107,500	70,000
9736 Arena Loan Surcharge	-0-	261,000	236,390
9737 ACPA Ticket Surcharge	150,000	150,000	150,000
9741 State Land Sales	486,230	291,450 *	318,280
9742 Other Property Sales	22,500	22,500	22,500
9752 Parking Garages and Lots	52,000	52,000	52,000
9761 Cash Pool Short-Term Interest	3,865,570	3,330,170	3,330,170
9762 Other Short-Term Interest	913,700	1,086,210	786,210
9782 Lost Book Reimbursement	13,040	10,730	11,710
9783 Library Fees	1,000	1,200	1,690
9785 Sale of Books	7,260	11,400	-0-
9793 Liquor Licenses	1,000	1,500	1,000
9794 Appeal Receipts	6,200	4,000	4,100
9795 Sale of Contractor Specifications	14,000	14,000	14,000
9796 Transit Advertising Fees	35,000	40,000	40,000
9797 Copier Fees	40,880	63,740	69,060
9798 Miscellaneous Revenue	4,150	13,500	800
Total Local Revenues	\$ 39,251,220	\$ 40,371,150	\$ 41,272,320

1992 General Government Operating Budget

SUMMARY OF ALL REVENUE ACCOUNTS

<u>Revenue Source</u>	<u>1990 Revised</u>	<u>1991 Revised</u>	<u>1992 Budget</u>
OTHER REVENUES			
Intragovernmental Revenues	\$ 18,259,540	\$ 18,710,110	\$ 19,160,340
Fund Balance Applied	8,798,100	9,041,030 *	8,228,650
Property Taxes	91,533,980	99,493,240	100,863,440
Total Other Revenues	\$118,591,620	\$127,244,380	\$128,252,430
 TOTAL REVENUES	 \$196,765,790	 \$204,110,080	 \$205,920,460

* Does not include Funds 0181 and 0221 Profit Earnings.

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 34 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 26 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 program operations (equipment maintenance, Heritage Land Bank) or particular expenses (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, by object (category) 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 Office of Management and Budget and the Municipal Manager. The Municipal Manager 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 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 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:

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

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. For those departments that receive operating grants, a two-year grant comparison has been included. This comparison identifies the grant, number of positions in the grant, amount and the percentage that grants represent of the department's total budget.
- * **Appendices:** detailed comparisons of expenditures, revenues, assessed valuation and mill levies; 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	FIRE	
MISSION	To manage and administer the fire, rescue and emergency medical portions of the municipal public safety program.	
MAJOR PROGRAMMING HIGHLIGHTS	<ul style="list-style-type: none">- Fire Suppression crews will operate 11 fire stations, respond to over 8,700 emergencies with an average response time of 4.5 minutes, conduct 6,000 Community Right-to-Know (CRTK) surveys, and fire safety inspections.- Emergency Medical Services units at 5 stations will respond to 10,500 requests for medical assistance providing basic or advanced life support and transporting all patients requiring medical care to the nearest medical facility.- Fire Prevention personnel will review 2,100 commercial, multi-family and other new construction plans; make over 2,500 fire safety inspections; respond to nearly 5,000 citizen complaints/requests relative to fire safety; conduct 250 public fire education lectures and training sessions; investigate all fires of suspicious cause, arson fires, and fires resulting in injury or death; and conduct 600 Community Right-to-Know (CRTK) inspections.- Fire Training Center will provide manipulative and academic training for line personnel, college level and continuing education courses in fire science, and fire brigade training for local organizations.	
RESOURCES	1991	1992
Direct Costs	\$26,061,550	\$27,616,560
Program Revenues	\$ 1,233,700	\$ 1,370,900
Personnel	268FT	269FT

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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.

1992 RESOURCE PLAN									
DEPARTMENT: FIRE									
DIVISION	FINANCIAL SUMMARY		PERSONNEL SUMMARY						
	1991 REVISED	1992 BUDGET	1991 REVISED				1992 BUDGET		
			FT	PT	T	TOTAL	FT	PT	T TOTAL
FIRE ADMINISTRATION	890,800	1,123,220	7			7	7		7
FIRE SUPPORT SERVICES	1,215,220	1,340,610	16			16	17		17
EMERGENCY MEDICAL SERVICE	3,444,640	3,868,700	39			39	40		40
FIRE & RESCUE OPERATIONS	19,036,590	19,756,870	190			190	188		188
FIRE PREVENTION	1,032,280	1,081,230	13			13	13		13
FIRE TRAINING CENTER	254,430	342,080	3			3	4		4
OPERATIONS COST	25,874,010	27,510,710	268			268	269		269
ADD DEBT SERVICE	187,540	105,850							
DIRECT ORGANIZATION COST	26,061,550	27,616,560							
ADD INTRAGOVERNMENTAL CHARGES FROM OTHERS	6,131,430	6,041,600							
TOTAL DEPARTMENT COST	32,192,980	33,658,160							
LESS INTRAGOVERNMENTAL CHARGES TO OTHERS	3,325,430	3,334,340							
FUNCTION COST	28,867,550	30,303,800							
LESS PROGRAM REVENUES	1,365,980	1,370,900							
NET PROGRAM COST	27,501,570	28,932,900							

1992 RESOURCES BY CATEGORY OF EXPENSE									
DIVISION	PERSONAL SERVICES	SUPPLIES	OTHER SERVICES	CAPITAL OUTLAY	TOTAL DIRECT COST				
FIRE ADMINISTRATION	489,550	11,580	609,750	12,140	1,123,220				
FIRE SUPPORT SERVICES	1,263,100	29,720	22,090	25,700	1,340,610				
EMERGENCY MEDICAL SERVICE	3,654,980	121,540	67,320	24,860	3,868,700				
FIRE & RESCUE OPERATIONS	16,442,640	349,000	2,887,230	208,140	19,887,230				
FIRE PREVENTION	1,018,160	24,650	18,420	22,800	1,081,230				
FIRE TRAINING CENTER	287,520	12,810	20,100	21,450	342,080				
DEPT. TOTAL WITHOUT DEBT SERVICE	23,152,950	549,320	3,625,330	315,470	27,643,070				
LESS VACANCY FACTOR	132,340				132,340				
ADD DEBT SERVICE					105,850				
TOTAL DIRECT ORGANIZATION COST	23,020,590	549,320	3,625,330	315,470	27,616,560				

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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 1991 REVISED TO 1992 BUDGET REQUEST

DEPARTMENT: FIRE

	<u>DIRECT COSTS</u>	<u>POSITIONS</u>		
		<u>FT</u>	<u>PT</u>	<u>T</u>
1991 REVISED BUDGET:	\$ 26,061,550	268		
1991 ONE-TIME REQUIREMENTS:				
- FY91 Fuel Inflation	(19,800)			
AMOUNT REQUIRED TO CONTINUE EXISTING PROGRAMS IN 1992:				
- Salaries and Benefits Adjustment	489,480			
- Salary Reserve	1,149,000			
- Non-Personal Services Inflation Adjustment	186,760			
TRANSFERS TO/FROM OTHER DEPARTMENTS:				
- None				
REDUCTIONS IN EXISTING PROGRAMS:				
- Firefighter for Vacation Coverage	(52,720)	(1)		
- Non-Personal Services Inflation Absorption	(186,760)			
EXPANSIONS IN EXISTING PROGRAMS:				
- Dispatcher	61,310	1		
- Fire Training Specialist	71,750	1		
NEW PROGRAMS:				
- None				
MISCELLANEOUS INCREASES (DECREASES):				
- Retiree Medical Insurance	194,530			
- Hydrant Maintenance Contract	(539,300)			
- Debt Service	(81,690)			
- Firefighters Equipment/Supplies	68,680			
- Personal Services Adjustments	213,770			
1992 BUDGET REQUEST	<u>\$27,616,560</u>	<u>269FT</u>	<u>OPT</u>	<u>OT</u>

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.

1992 PROGRAM PLAN

DEPARTMENT: FIRE DIVISION: FIRE SUPPORT SERVICES
PROGRAM: Fire and EMS Communications

PURPOSE:

To provide emergency communications for responses to requests for emergency services and provide communications support for all fire department units.

1991 PERFORMANCES:

- Process 23,700 requests for emergency services.
- Receive and respond to 185,000 business calls.
- Dispatch 22,650 emergency vehicles within 60 seconds.

1992 OBJECTIVES:

- Process 23,700 requests for emergency services.
- Receive and respond to 185,000 business calls.
- Dispatch 22,650 emergency vehicles within 60 seconds.

RESOURCES:

	1990 REVISED			1991 REVISED			1992 BUDGET		
	FT	PT	T	FT	PT	T	FT	PT	T
PERSONNEL:	11	0	0	11	0	0	12	0	0
PERSONAL SERVICES	\$	809,990		\$	783,670		\$	883,480	
SUPPLIES		4,830			5,830			7,520	
OTHER SERVICES		13,750			10,550			14,860	
CAPITAL OUTLAY		15,000			2,000			10,700	
TOTAL DIRECT COST:	\$	843,570		\$	802,050		\$	916,560	
PROGRAM REVENUES:	\$	41,100		\$	38,700		\$	45,900	

PERFORMANCE MEASURES:

- Emergency calls processed	23,700	23,700	23,700
- Business and non-emergency calls received	185,000	185,000	185,000
- Apparatus dispatched within 60 seconds	22,650	22,650	22,650
- Training hours delivered	200	200	200

28 SERVICE LEVELS ARE FUNDED FOR THE DEPARTMENT. THIS PROGRAM HAS LEVELS:
4, 21, 22

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. **Comparison of 1992 Proposed Budget to 1991 Continuation Level:** Compares 1992 proposed budget direct costs of each department with the 1991 continuation level costs (projection of what it would cost in 1992 to continue 1991 programs and services at the same level of activity) plus mandated increases.
- B. **Personnel Summary:** Compares Proposed Budget personnel positions by type (full time, part-time, temporary) and department with current year.
- C. **Department Operating Budgets at a Glance:** Comparison of 1992 Proposed Budget direct costs, tax supported direct costs, and total positions of each department with the 1991 Revised Budget.
- D. **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.
- E. **Function Cost Comparison by Fund:** Compares Proposed Budget function costs (direct costs with intragovernmental charge additions and subtractions) by fund with current year.
- F. **Operating Budget Reductions in Existing Programs and Services:** Shows calculation of Municipal-wide 1992 continuation level direct costs plus mandated requirements and compares to 1992 available revenues.
- G. **Reduction in Existing Programs and Services Causative Factors:** Analyzes the causes for the Municipal-wide reductions shown in Appendix F.
- H. **Mill Levy Comparisons by Fund:** Compares the Proposed Budget mill levies by fund (service area) with the approved mill levies for the current year.
- I. **Explanation of Taxing District Mill Levies:** Illustrates how individual fund mill levies are determined and subsequently accumulated to determine a taxing district mill levy.
- J. **1992 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.
- K. **Mill Levy Comparison by Taxing District:** Compares each taxing district's Proposed Budget mill levy with its current year approved mill levy.
- L. **Mill Levy Trends:** Shows the ten-year mill levy trend by taxing district. Included is the mill levy for school district operations.

- M. **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.
- N. **Fund Balance Summary:** Compares the amount of any fund balance to be appropriated to offset function costs in the Proposed Budget with that for the current year.
- O. **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.
- P. **Debt Service Summary by Program:** Provides detailed information regarding the outstanding debt and the principal and interest payments for the budget year.
- Q. **Tax Limit 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.
- R. **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.
- S. **"B" Budget:** High priority current programs and services not funded in the Proposed Budget.
- T. **"C" Budget:** Priority department requested current programs and services not included in the Proposed Budget or the "B" Budget.

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 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 (programs and allocated revenues and intragovernmental charges to non-tax-supported units such as grants and utilities).
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.
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.
Average Mill Rate	<p>The average tax rate (mill levy) computed by:</p> $\frac{\text{Total Property Tax Required}}{\text{Total Areawide Assessed Valuation}} \times 1,000 = \text{Average Mill Rate}$
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.
Budget Year	1992 for the purposes of this budget.
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.
Continuation Level	Projection of what it would cost in the budget year to continue existing programs and services at the same level of activity.
Current Year	1991 for the purposes of this budget.
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> $\begin{array}{rcl} \text{Direct} & + & \text{Intragovernmental} \\ \text{Cost} & & \text{Charges From} \\ & & \text{Others} \end{array} - \begin{array}{rcl} \text{Intragovernmental} & & \text{Charges to Others} \\ \text{Cost} & & \end{array} = \text{Function Cost}$ <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.

Mandated Increase	Budget increase required for Federal, State, or Municipal legally mandated services or programs, additional cost of current contracts or programs (other than inflationary increases) needed to provide the same level of service, or utility increases or charges from outside departments.		
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:		
	Property Tax Required In A Service Area	÷ Total Assessed Value of Taxable Property in the Service Area	x 1,000 = Mill Levy
Net Program Cost	The amount required to support a program that is not funded directly by revenues earned by the program. Net program cost must be funded by allocated revenues or property taxes. It is computed as follows:		
	Direct Cost	Intragovernmental + Charges From Others	Intragovernmental - Charges to Others
		- Program Revenues	= Net Program Cost
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
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 measures 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.

Tax Supported Direct Costs

That portion of a department's direct costs that are not funded by revenues earned by the department or by intra-governmental charges outside of the General Government Operating budget (to Municipal utilities, grants, or capital programs). The tax supported direct costs must therefore be funded by property taxes or allocated revenues or fund balance.

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.