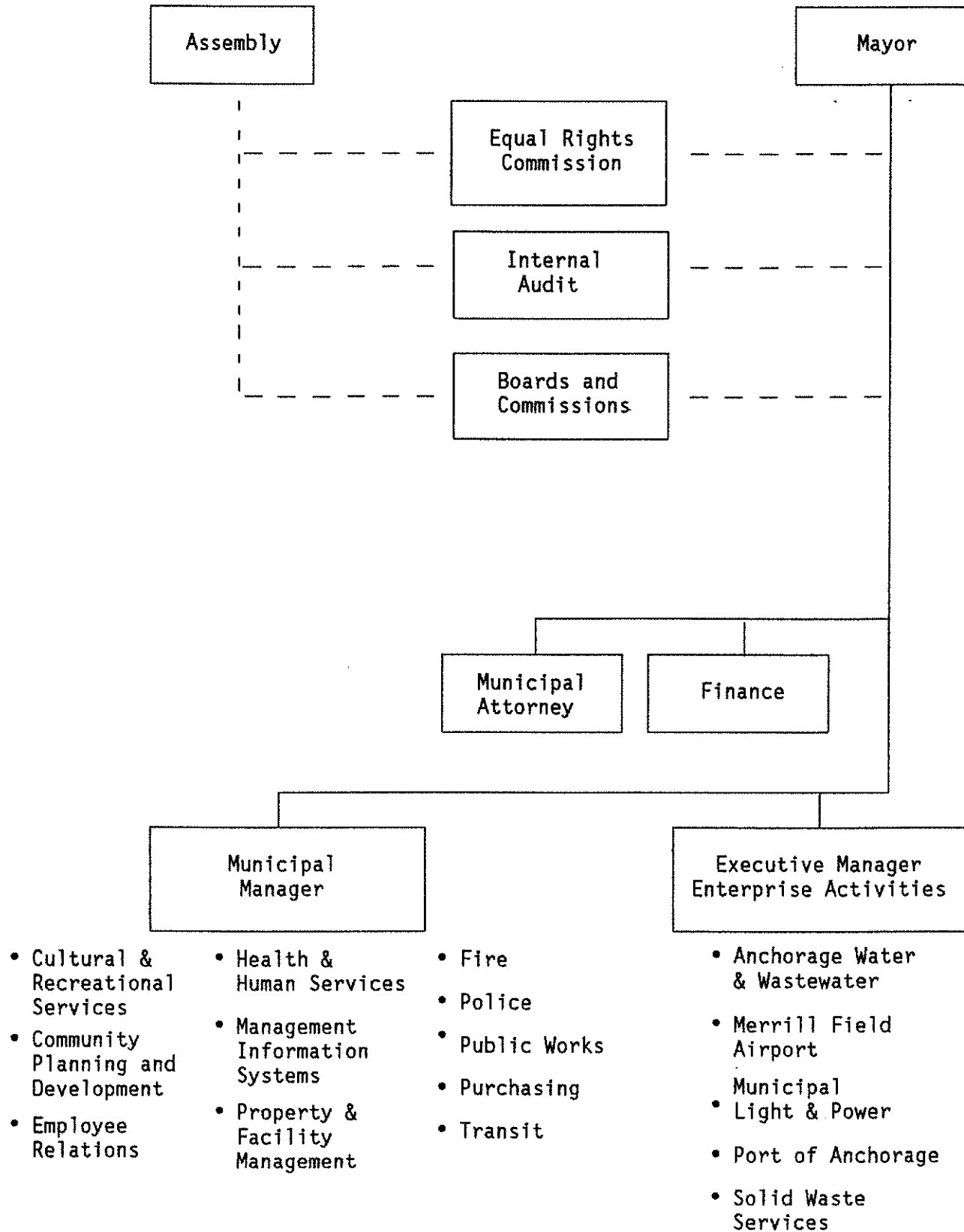


# **BUDGET OVERVIEW**

**1993 GENERAL GOVERNMENT OPERATING BUDGET  
MUNICIPALITY OF ANCHORAGE  
ORGANIZATION**



**Note:** The public utilities publish a separate budget document.

## MUNICIPALITY OF ANCHORAGE

### OVERVIEW OF THE PROPOSED 1993 GENERAL GOVERNMENT OPERATING BUDGET

#### GOALS FOR THE MUNICIPALITY OF ANCHORAGE

The Administration and Municipal employees are committed to the goal of excellence in local government. We will endeavor to provide the highest possible level of service to the public within the budget constraints facing us in 1993.

In carrying out this mission, the Administration will focus on five general goals. The specific goals and objectives are:

- Economic Development

The Municipality shall strive to contribute to the long-term stable recovery and growth of the Anchorage economy.

- Fiscal Stability

The Municipality shall strive to maintain vital services to the public while adjusting to changing fiscal circumstances and assuring the long-term financial integrity of local government.

- Public Safety

The Municipality shall strive to provide services necessary to ensure a safe environment for its residents. These services include police, fire, emergency medical and emergency preparedness, public health and environmental services.

- Maintenance of Municipal Facilities

The Municipality shall strive to maintain existing facilities on a schedule that will allow our children to enjoy the benefits of these improvements for many years. We believe maintaining basic facilities, roads and public buildings, as well as parks, bike trails and cultural facilities should be a high priority.

- Balanced Community Values

The Municipality shall strive to achieve a balance in meeting expressed community needs despite diminished resources. Basic services will continue to be given the highest priority. The Municipality will continue to provide recreation and leisure activities and city beautification within funding constraints.

## OPERATING BUDGET SERVICE PRIORITIES

- Priority 1: Maintain essential police, fire, emergency medical and road maintenance services as close to 1992 levels of service as funding and other priorities allow.
- Priority 2: Minimize reductions in other 1992 high-priority services as funding permits.
- Priority 3: Provide for an increased level of street maintenance through development of an aggressive program to obtain state grant funding.
- Priority 4: Provide for an increased level of maintenance for other Municipal infrastructure needs through development of an aggressive program to obtain state grant funding.
- Priority 5: Develop a plan to resolve the level of support for potential unfunded liability in the Police and Fire Retiree Medical Program.

## OPERATING BUDGET SUMMARY

The 1992 General Government Operating Budget is \$215.5 million. Due to higher labor costs and inflation increases on other costs, the amount required to continue current 1992 programs and services, excluding \$4.1 million of 1992 one-time items, at the same level in 1993 is \$217.4 million. Add to this \$2.9 million of mandated and voter-approved increases, and the Municipality of Anchorage has a 1993 budget requirement of \$220.3 million. However, only \$208.5 million of revenues are available. Therefore, the Municipality will have to reduce the costs of existing general government services by \$11.8 million in 1993. The Municipality has been able to achieve a net savings of \$3.1 million in the costs of operations without impacting programs and services. This means that \$8.7 million in current programs and services will have to be reduced.

Essential police, fire, emergency medical, and road maintenance services are being maintained as close to 1992 levels of service as funding and other priorities allow.

The current programs and services identified for elimination or reduction include:

- Sunday bus service eliminated.
- Saturday bus service reduced by one-third.
- Park-N-Ride bus service to Eagle River and South Anchorage eliminated.
- Loussac Library hours reduced from 73 per week to 60 hours/winter and 56 hours/summer.
- Samson-Diamond, Chugiak-Eagle River, and Muldoon branch libraries staff reduced.
- Library books and materials purchases reduced.
- Alaska Center for the Performing Arts Center subsidy reduced by over 60% (Center may have to be "moth-balled" if sufficient non-Municipal funding is not found).

- Museum fall, winter, and spring hours reduced from 44 to 36 per week (no change in summer hours).
- Museum research, cataloging, conservation reduced, and repair and maintenance of archives and collections eliminated.
- Police School Liaison Program eliminated
- Federation of Community Councils funding eliminated.
- Fairview and Spenard Recreation Centers closed two days per week.
- Spenard and Jewel Lake beaches closed.
- Swimming pool operations reduced.
- Summer swim/recreation day camp programs eliminated.
- Summer playground programs eliminated.
- Russian Jack Spring Park operations reduced (Chalet will be closed except for rentals; winter rope tow operations eliminated; adult league basketball, soccer, and baseball programs eliminated; tennis lessons eliminated).
- Lions Camper Park closed.
- Girdwood parks maintenance and beautification projects reduced.
- Right-of-Way tree and shrub maintenance reduced.
- Walkway snow removal at school routes and trails eliminated.
- Therapeutic recreation programs reduced.
- Grants to Anchorage Bowl non-profit recreation providers eliminated.
- Grants to non-profit art groups reduced.
- Grants to social services non-profit organizations reduced.
- Grants to other non-profit groups reduced or eliminated.
- Long-range planning activities reduced.
- Anchorage Economic Development Corporation subsidy eliminated.
- Spring creek cleanup support eliminated.
- Eagle River/Chugiak satellite nursing office assistance reduced.
- Alcoholism DETOX services reduced.
- Anchorage Senior Center operations reduced.
- Environmental protection services activities reduced.
- Equal Rights Commission office's ability to respond in a timely manner reduced.
- Roadways and school crossings painting, striping, and signing reduced.
- Dust oiling program on gravel roads eliminated.
- Public Works Department services to contractors reduced.
- Amenity street lights in Central Business District and Spenard eliminated.

In addition to the above and other direct programs and services, support will be reduced in areas such as accounting, auditing, management services, training, procurement, management information systems, legal services, 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.

## REVENUE NOTES

State and Federal Revenues: The \$18.7 million of Municipal Assistance included in this budget has already been appropriated by the State Legislature. The \$11.0 million of State Revenue Sharing will not be appropriated until the spring of 1993 and is assumed to be the same amount as received in 1992. 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 less than in 1992.

Program and Local Revenues: User fees have been reviewed. Some small adjustments have been made to fee totals. A rate increase for ambulance transport fees and a new on-site wastewater disposal system permit fee are being proposed. Other 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.

Property Taxes: The Administration recommends holding property taxes at the 1992 level for the community as a whole, allowing for tax on new construction and increased debt service costs.

Intragovernmental Charges: The 1993 IGC's outside of the General Government Operating Budget (to the utilities, grants, and capital) are based on continuation of existing service and management relationships. The IGC's to ATU are about \$1.8 million less in 1993 than in 1992. As a general rule, this decrease has been mitigated somewhat by an increase in IGC's caused by labor contract cost increases.

Applied 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 type of contingencies which could require additional support from a particular fund. There will be less available fund balance in 1993 than in 1992 because of its use to fund the new labor contract cost increases in 1992 and smaller 1992 expenditure lapses due to the departments having to absorb 1992 inflationary increases.

## EXPENDITURE NOTES

Employee Wages and Benefits: Salaries and benefits for 1993 were calculated using the General Government Automated Budget System using the following assumptions and the benefit rates (including medical-dental insurance) shown in Appendix M. The 1993 benefit rates were developed by the Municipal Benefits Committee comprised of members of the Employee Relations Department, the Finance Department, and the Office of Management and Budget and approved by the Municipal Manager and the Mayor.

### Assumptions

- AMEA, Non-Represented, and Executives receive a 3.5% salary increase effective July 1, 1993 based on January 1992 - December 1992 CPI increase.
- IBEW (Traffic Engineering) receives a 3.2% salary increase effective January 1, 1993 based on July 1991 - June 1992 CPI increase (this is the actual increase per U.S. Department of Labor).

- IAFF receives a 2.5% salary increase effective April 1, 1993 in accordance with approved labor contract.
- APDEA receives a 2.5% salary increase effective January 1, 1993 (percent is for budget purposes only - subject to labor contract wage reopener).
- JCC does not receive a salary increase during 1993 (for budget purposes only - subject to labor contract wage reopener).

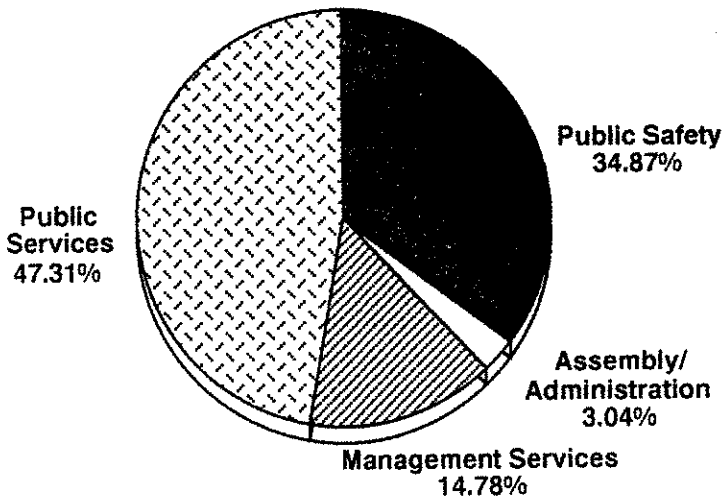
Department Data: Due to the complexity of department budgets and the different levels of program revenues, intragovernmental charges, debt service, and small service area requirements, the best way to analyze a department is through a review of service levels and all supporting schedules. Some of the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

# 1993 General Government Operating Budget

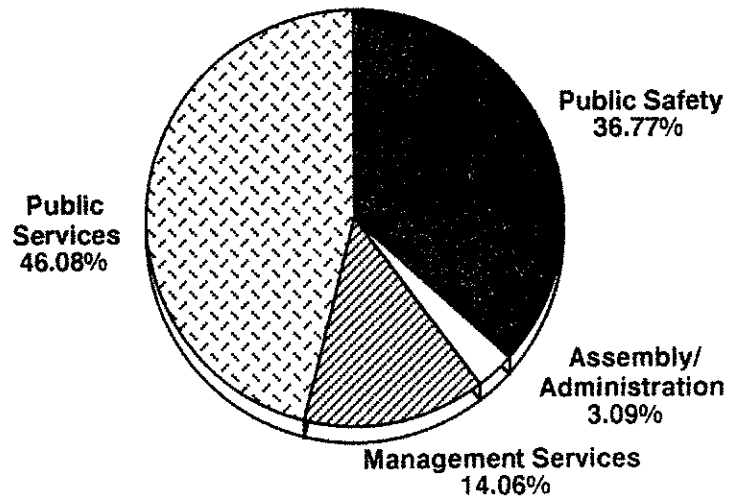
## DIRECT COST APPROPRIATION BY FUNCTIONAL AREA

Public Services/ Transportation/ Neighborhoods	Public Safety	Management Services	Assembly/ Administration
Public Works \$45,111,710	Police \$37,811,880	Municipal Manager \$ 1,588,500	Assembly \$1,776,170
Cultural & Recreational Services 16,662,750	Fire 27,686,390	Finance 14,595,890	Equal Rights Commission 400,120
Transit 8,423,150	Health & Human Services 11,180,630	Management Information Systems 10,016,030	Internal Audit 472,660
Community Planning & Development 2,071,950		Employee Relations 2,218,360	Office of the Mayor 878,970
Property & Facility Management 16,246,000		Purchasing 907,920	Municipal Attorney 2,899,840
Non-Departmental 7,588,040			
<b>TOTAL \$96,103,600</b>	<b>\$76,678,900</b>	<b>\$29,326,700</b>	<b>\$6,427,760</b>

**1992 Revised  
\$215,531,570**



**1993 Budget  
\$208,536,960**



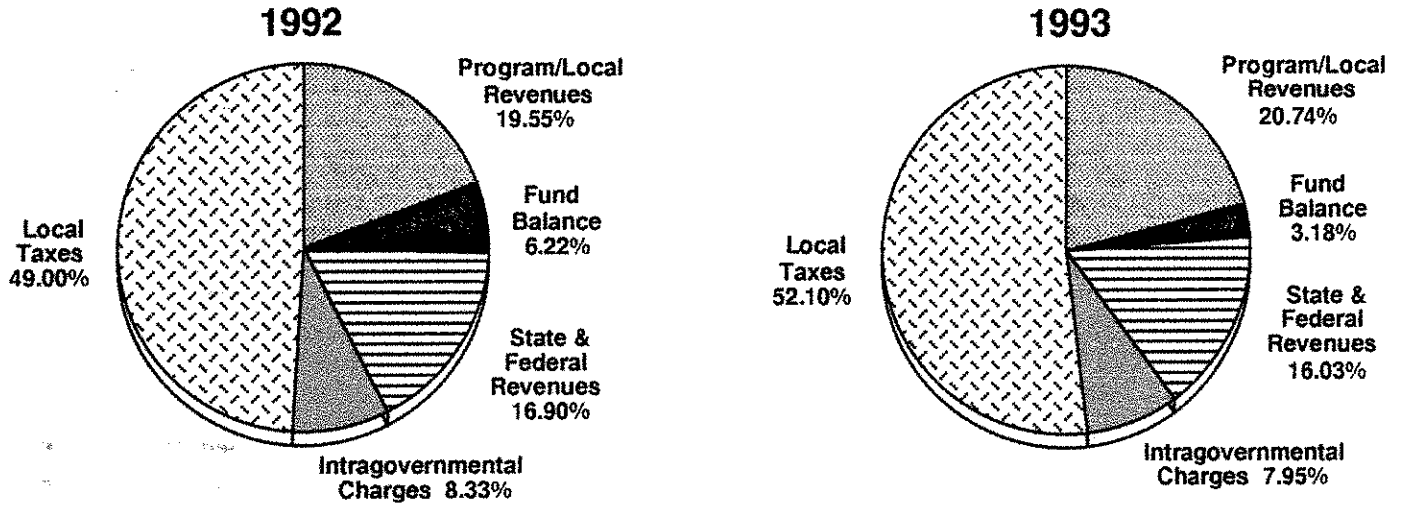


# 1993 General Government Operating Budget

## SOURCE OF FUNDS

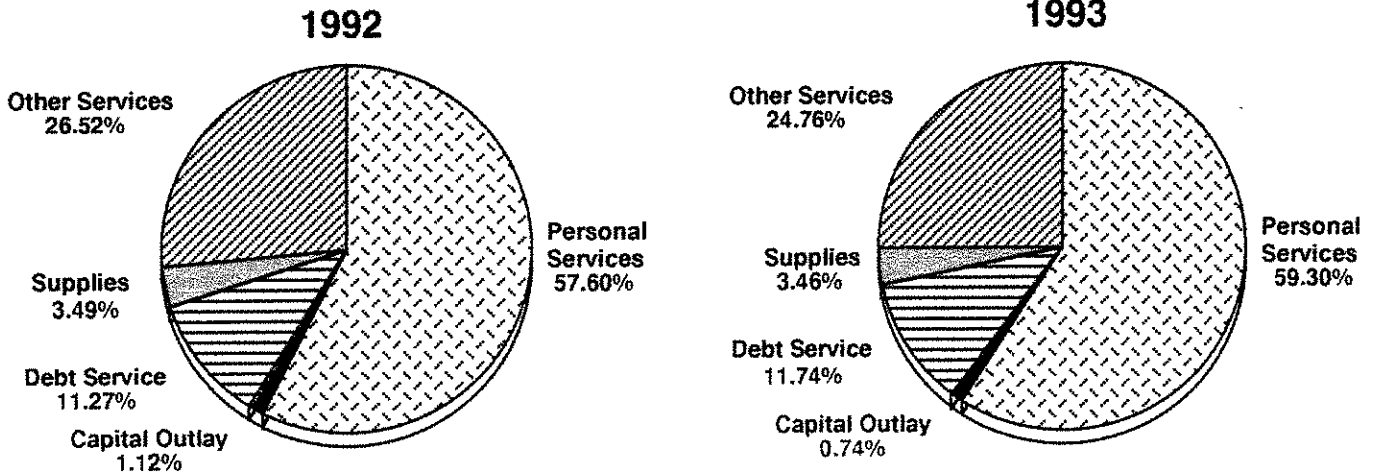
	<u>1992 Revised</u>	<u>1993 Budget</u>
State and Federal Revenues	\$ 36,415,590	\$ 33,428,940
Program/Local Revenues	42,127,890	43,247,350
Local Taxes on Existing Property	105,621,380 *	108,641,510
Intragovernmental Charges	17,958,250	16,590,030
Applied Fund Balance	<u>13,408,460</u>	<u>6,629,130</u>
<b>TOTAL</b>	<b>\$215,531,570</b>	<b>\$208,536,960</b>

\* Does not include \$639,010 property taxes added by the Assembly by raising the Areawide millrate beyond that required to fund the 1992 Revised Budget to the maximum allowed under the tax cap.



## DIRECT COST BY TYPE OF EXPENDITURE

	<u>1992 Revised</u>	<u>1993 Budget</u>
Personal Services	\$124,158,740	\$123,665,500
Supplies	7,520,870	7,213,940
Other Services	57,151,600	51,625,650
Debt Service	24,293,900	24,479,300
Capital Outlay	<u>2,406,460</u>	<u>1,552,570</u>
<b>TOTAL</b>	<b>\$215,531,570</b>	<b>\$208,536,960</b>



**1993 General Government Operating Budget**

**SUMMARY OF ALL REVENUE ACCOUNTS**

<b>Revenue Source</b>	<b>1992 Revised</b>	<b>1993 Budget</b>
<b>FEDERAL REVENUES</b>		
9312 Federal in Lieu of Property Tax	\$ 337,520	\$ 337,520
9324 Mass Transportation	761,500	700,000
9331 Other Federal Grant Revenue	94,530	43,080
9357 National Forest Allocation	2,630	2,630
9376 Civil Defense	20,000	20,000
<b>Total Federal Revenues</b>	<b>\$ 1,216,180</b>	<b>\$ 1,103,230</b>
<b>STATE REVENUES</b>		
9346 Health Facilities	\$ 889,460	\$ 806,500
9349 Road Maintenance	978,800	895,690
9362 Tax Equalization Entitlement	10,414,370	9,349,170
Total State Revenue Sharing	\$ 12,282,630	\$ 11,051,360
9342 Municipal Assistance	20,317,380	18,718,080
9344 Fisheries Tax	186,950	186,950
9347 Liquor Licenses	363,610	363,610
9348 Amusement Device Licenses	30,480	30,480
9355 Electric Co-Op Allocation	663,680	663,680
9363 State Traffic Signal Reimbursement	1,311,550	1,311,550
9481 State of Alaska - 911	43,130	-0-
<b>Total State Revenues</b>	<b>\$ 35,199,410</b>	<b>\$ 32,325,710</b>
<b>LOCAL REVENUES</b>		
9003 Penalty/Interest on Delinquent Taxes	\$ 2,117,780	\$ 2,117,780
9004 Tax Cost Recoveries	63,480	63,480
9006 Auto Tax	3,534,000	3,534,000
9007 Delinquent Taxes	600,000	600,000
9008 Collection Service Fees	300,000	300,000
9011 Tobacco Tax	2,638,080	2,638,080
9021 Franchises	779,000	779,000
9022 Payment In Lieu of Taxes	1,576,290	1,576,290
9023 Hotel and Motel Taxes	6,035,000	6,362,360
9024 Penalty/Interest on Hotel/Motel Taxes	21,020	21,020
9111 Building and Trade Licenses	54,000	54,000
9112 Taxicab Permits	162,330	162,330
9113 Contractor Certificates and Examinations	3,000	3,000
9114 Chauffeur Licenses	10,500	10,500
9115 Taxicab Permit Revisions	10,630	10,630

1993 General Government Operating Budget

SUMMARY OF ALL REVENUE ACCOUNTS

Revenue Source	1992 Revised	1993 Budget
9116 Local Business	\$ 59,000	\$ 59,000
9117 Chauffeur License Renewal	17,500	17,500
9131 Plan Checking Fees	660,000 *	780,000 *
9132 Building Permits	630,580 *	963,110 *
9133 Electrical Permits	240,000	240,000
9134 Gas and Plumbing Permits	360,000	360,000
9135 Moving Fence/Sign Fees	7,200	7,200
9136 Construction and Right-of-Way Permits	89,400	90,000
9137 Elevator Inspection Fees	96,000	96,000
9138 Mobile Home Inspection Fees	21,600	21,600
9139 Land Use Permits	33,000	33,000
9142 Site Plan Review Fees	6,000	11,000
9143 Parking and Access Agreement Fees	200	200
9191 Animal Licenses	50,000	95,000
9199 Miscellaneous Permits	20,700	45,500
9211 Court Fines and Forfeitures	1,701,830	1,861,460
9213 Library Book Fines	165,630	160,550
9215 Other Fines and Forfeitures	24,000	24,000
9216 Pre-Trial Diversion	14,000	54,500
9411 Platting Fees	94,300	160,000
9412 Zoning Fees	42,200	46,000
9413 Sale of Publications	148,000	129,000
9415 Miscellaneous Map Sales	6,000	19,500
9416 Rezoning Inspections	1,000	1,000
9418 Emission Certificate Fee	1,325,000	1,500,000
9419 Emission Inspection Test Fee	12,000	12,000
9421 Septic System Annual Permit	-0-	600,000
9423 Family Planning Fees	60,000	65,000
9424 Community Health Fees	55,250	-0-
9425 Dispensary Fees	55,000	55,000
9426 Sanitary Inspections Fees	587,000	669,100
9428 Cook Inlet Air Pollution	11,000	14,300
9431 Public Transit Fees	1,579,470	1,494,060
9441 Recreational Activities	355,700	300,500
9443 Swim Fees	1,241,500	851,540
9445 Cemetery Fees	92,520	117,000
9446 Ski Fees	10,000	10,000
9447 Golf Fees	108,440	112,400
9448 Camper Park Fees	94,390	68,000
9451 Ambulance Service Fees	1,180,000	1,600,000
9452 Fire Training Center	20,000	20,000
9453 Fire Alarm Fees	14,400	38,700
9456 Admission Fees	381,300	357,680
9457 Typewriter User Fees	4,340	4,170
9462 Subdivision Inspection Fees	50,000	50,000

**1993 General Government Operating Budget**

**SUMMARY OF ALL REVENUE ACCOUNTS**

<u>Revenue Source</u>	<u>1992 Revised</u>	<u>1993 Budget</u>
9463 Mapping Fees	\$ 62,500	\$ 33,000
9467 Address Fees	7,500	7,500
9468 Computer Time Fees	21,000	5,000
9471 Building Rental	35,230	53,000
9478 Parking Authority Income	620,000	400,000
9484 Animal Shelter Fees	263,000	220,000
9485 Defensive Driving Fees	43,600	43,600
9492 Service Fees - School District	412,960	442,450
9493 Microfiche Sales	18,000	13,000
9494 Clinic Fees	50,000	37,500
9495 Parking Authority Service Fees	80,830	6,000
9498 Unbilled Revenue (Flex-Benefits)	10,000	10,000
9499 Reimbursed Costs	661,300	439,250
9532 Miscellaneous Non-operating Income	-0-	-0-
9601 Contributions from Other Funds	432,030	1,079,750
9602 Utility Revenue Distribution from ATU	2,500,000	2,500,000
9613 Loan Recovery	-0-	-0-
9615 Contribution of Interest from G.O. Bonds	591,670	591,670
9711 Assessments	708,000	708,000
9712 Penalty/Interest on Assessments	538,000	538,000
9724 Proceeds-Refunding Bonds	750,150	-0-
9731 Lease & Rental Revenues	472,580	462,790
9732 Lease State Land Conveyance	32,040	32,040
9735 Amusement Surcharge	70,000	87,800
9736 Arena Loan Surcharge	236,390	221,070
9737 ACPA Ticket Surcharge	150,000	150,000
9741 State Land Sales	318,280 *	217,990 *
9742 Other Property Sales	22,500	37,500
9752 Parking Garages and Lots	52,000	52,000
9761 Cash Pool Short-Term Interest	2,433,010	2,433,010
9762 Other Short-Term Interest	743,180	743,180
9763 State Land Sale Interest	-0-	53,990
9782 Lost Book Reimbursement	12,160	12,890
9783 Library Fees	1,690	26,610
9785 Sale of Books	12,370	-0-
9793 Liquor Licenses	1,000	1,000
9794 Appeal Receipts	4,100	4,100
9795 Sale of Contractor Specifications	14,000	14,000
9796 Transit Advertising Fees	40,000	42,000
9797 Copier Fees	75,460	72,920
9798 Miscellaneous Revenue	800	7,700
<b>Total Local Revenues</b>	<b>\$ 42,127,890</b>	<b>\$ 43,247,350</b>

1993 General Government Operating Budget

SUMMARY OF ALL REVENUE ACCOUNTS

<u>Revenue Source</u>	<u>1992 Revised</u>	<u>1993 Budget</u>
<b>OTHER REVENUES</b>		
Intragovernmental Revenues	\$ 17,958,250	\$ 16,590,030
Fund Balance Applied	13,408,460	6,629,130
Property Taxes	105,621,380	108,641,510
<hr/> Total Other Revenues	<hr/> \$136,988,090	<hr/> \$131,860,670
<b>TOTAL REVENUES</b>	<b>\$215,531,570</b>	<b>\$208,536,960</b>

\* Does not include Funds 0181 (Building Safety) and 0221 (Heritage Land Bank) 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 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 and employee benefit costs.

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 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. A preliminary dollar amount (the funding line) is provided to each department. Those service levels 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:

Service Area Tax Requirement	+	Service Area Assessed Valuation	x	1,000	=	Mill Levy
\$2,000,000	+	\$10,000,000,000	x	1,000	=	.20 mills

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

**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 the budget document. This is the section studied most carefully by Assemblymembers 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 Department Summary states the major program highlights in the department's budget. A resource summary at the bottom 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"> <li>- Fire Suppression crews will operate 11 fire stations, respond to emergencies with an average response time of 4.5 minutes, conduct Community Right-to-Know (CRTK) surveys, and fire safety inspections.</li> <li>- Emergency Medical Services units at 5 stations will respond to requests for medical assistance providing basic or advanced life support and transporting all patients requiring medical care to the nearest medical facility.</li> <li>- Fire Prevention personnel will review commercial, multi-family and other new construction plans; make fire safety inspections; respond to citizen complaints/requests relative to fire safety; conduct public fire education lectures and training sessions; investigate all fires of suspicious cause, arson fires, and fires resulting in injury or death; and conduct Community Right-to-Know (CRTK) inspections.</li> <li>- 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.</li> </ul>	
RESOURCES	1992	1993
Direct Costs	\$27,751,400	\$27,686,390
Program Revenues	\$ 1,420,900	\$ 1,861,450
Personnel	269FT	270FT
Grant Budget	4,500	-0-
Grant Personnel	0FT OPT	0FT OPT

## 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 costs 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.

1993 RESOURCE PLAN												
DEPARTMENT: FIRE												
DIVISION	FINANCIAL SUMMARY				PERSONNEL SUMMARY							
	1992 REVISED	1993 BUDGET	1992 REVISED		1993 BUDGET		1992 REVISED		1993 BUDGET			
				FT	PT	T	TOTAL	FT	PT	T	TOTAL	
FIRE ADMINISTRATION	1,273,930	1,649,580		7			7	7			7	
FIRE SUPPORT SERVICES	1,341,120	1,307,650					17	17			17	
EMERGENCY MEDICAL SERVICE	3,830,420	3,639,910		40			40	40			40	
FIRE & RESCUE OPERATIONS	19,659,590	18,988,270		188			188	189			189	
FIRE PREVENTION	1,081,460	1,064,350		13			13	13			13	
FIRE TRAINING CENTER	342,080	385,920		4			4	4			4	
OPERATING COST	27,528,800	27,035,680		269			269	270			270	
ADD DEBT SERVICE	222,600	650,710										
DIRECT ORGANIZATION COST	27,751,400	27,686,390										
ADD INTRAGOVERNMENTAL CHARGES FROM OTHERS	6,444,590	6,923,520										
TOTAL DEPARTMENT COST	34,217,990	34,609,910										
LESS INTRAGOVERNMENTAL CHARGES TO OTHERS	3,533,380	4,112,670										
FUNCTION COST	30,684,610	30,497,240										
LESS PROGRAM REVENUES	1,420,900	1,861,450										
NET PROGRAM COST	29,263,710	28,635,790										
1993 RESOURCES BY CATEGORY OF EXPENSE												
DIVISION	PERSONAL SERVICES	SUPPLIES	OTHER SERVICES	CAPITAL OUTLAY	TOTAL DIRECT COST							
FIRE ADMINISTRATION	503,710	11,480	1,130,640	3,750	1,649,580							
FIRE SUPPORT SERVICES	1,251,160	24,700	28,770	3,020	1,307,650							
EMERGENCY MEDICAL SERVICE	3,418,770	129,490	64,760	26,890	3,639,910							
FIRE & RESCUE OPERATIONS	15,728,820	374,580	2,782,400	234,830	19,120,630							
FIRE PREVENTION	1,016,780	24,350	18,520	4,700	1,064,350							
FIRE TRAINING CENTER	319,780	18,850	28,490	18,800	385,920							
DEPT. TOTAL WITHOUT DEBT SERVICE	22,239,020	583,450	4,053,580	291,990	27,168,040							
LESS VACANCY FACTOR		132,360			132,360							
ADD DEBT SERVICE					650,710							
TOTAL DIRECT ORGANIZATION COST	22,106,660	583,450	4,053,580	291,990	27,686,390							

## 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 1992 REVISED TO 1993 BUDGET REQUEST			
<b>DEPARTMENT: FIRE</b>			
	<u>DIRECT COSTS</u>	<u>POSITIONS</u>	
		FT	PT T
1992 REVISED BUDGET:	\$ 27,751,400	269	
<b>1992 ONE-TIME REQUIREMENTS:</b>			
- Tax Anticipation Notes	(116,750)		
- Chugiak Hydrant Contribution	(16,560)		
<b>AMOUNT REQUIRED TO CONTINUE EXISTING PROGRAMS IN 1993:</b>			
- Salaries and Benefit Adjustment	(380,690)		
- Non-Personal Services Inflation Adjustment	139,790		
<b>TRANSFERS TO/FROM OTHER DEPARTMENTS:</b>			
- None	_____		
1992 CONTINUATION LEVEL:	\$ 27,377,190		
<b>REDUCTIONS IN COSTS OF EXISTING PROGRAMS:</b>			
- Hydrant Maintenance Contract	(129,020)		
- Chugiak Health Insurance	(67,600)		
- IAFF, Personal Services Allowance Changes	(431,700)		
- Miscellaneous Capital Outlay\Supplies	(4,460)		
<b>EXPANSIONS IN EXISTING PROGRAMS:</b>			
- Mandated Health Safety Hazmat Program	164,760	1	
- Retiree Medical Insurance	372,150		
<b>NEW PROGRAMS:</b>			
- None.			
<b>MISCELLANEOUS INCREASES (DECREASES):</b>			
- Debt Service	544,860		
- Non-Personal Services Inflation Absorption	(139,790)		
1993 BUDGET REQUEST	<u>\$ 27,686,390</u>	<u>270FT</u>	<u>OPT 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.

**1993 PROGRAM PLAN**

**DEPARTMENT:** FIRE **DIVISION:** EMERGENCY MEDICAL SERVICE  
**PROGRAM:** Emergency Medical Services

**PURPOSE:**  
 To respond to all emergency requests for medical assistance within the Municipality, provide quality pre-hospital assistance, treatment and transportation to the appropriate medical facility.

**1992 PERFORMANCES:**  
 - Respond to 11,800 alarms.  
 - Transport 6,900 patients.  
 - Achieve an average response time of 5.8 minutes.

**1993 OBJECTIVES:**  
 - Respond to 11,800 alarms.  
 - Transport 7,300 patients.  
 - Achieve an average response time of 5.8 minutes.

**RESOURCES:**

	1991 REVISED			1992 REVISED			1993 BUDGET		
	FT	PT	T	FT	PT	T	FT	PT	T
<b>PERSONNEL:</b>	39	0	0	40	0	0	40	0	0
PERSONAL SERVICES			\$ 3,250,680			\$ 3,616,900			\$ 3,418,770
SUPPLIES			102,680			121,560			129,490
OTHER SERVICES			58,730			67,320			64,760
DEBT SERVICE			15,900			0			206,600
CAPITAL OUTLAY			32,550			24,840			26,890
<b>TOTAL DIRECT COST:</b>			\$ 3,460,540			\$ 3,830,620			\$ 3,846,510
<b>PROGRAM REVENUES:</b>			\$ 1,180,280			\$ 1,180,000			\$ 1,600,000

**PERFORMANCE MEASURES:**  
 - Total responses 11,425 11,800 11,800

40 SERVICE LEVELS ARE FUNDED FOR THE DEPARTMENT. THIS PROGRAM HAS LEVELS:  
 3, 5, 8, 14, 15, 16, 29, 33



## 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 1993 Proposed Budget to 1992 Continuation Level:** Compares 1993 proposed budget direct costs of each department with the 1992 continuation level costs (projection of what it would cost in 1993 to continue 1992 programs and services at the same level of activity) plus mandated increases. Also compares 1993 proposed budget tax-supported direct costs with the 1992 tax-supported continuation level.
- 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 1993 Proposed Budget direct costs, tax-supported direct costs, and total positions of each department with the 1992 Revised Budget. Also compares 1993 Proposed Budget tax-supported direct costs with 1992 tax-supported direct costs.
- 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. **Mill Levy Comparisons by Fund:** Compares the Proposed Budget mill levies by fund (service area) with the approved mill levies for the current year.
- G. **Explanation of Taxing Direct Mill Levies:** Illustrates how individual fund mill levies are determined and subsequently accumulated to determine a taxing district mill levy.
- H. **1993 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.
- I. **Mill Levy Comparison by Taxing District:** Compares each taxing district's Proposed Budget mill levy with its current year approved mill levy.
- J. **Mill Levy Trends:** Shows the ten-year mill levy trend by taxing district. Included is the mill levy for school district operations.
- K. **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.

- L. **Applied 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.
- M. **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.
- N. **Debt Service Summary by Program:** Provides detailed information regarding the outstanding debt and the principal and interest payments for the budget year.
- O. **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.
- P. **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.
- Q. **"B" Budget:** High priority current programs and services not funded in the Proposed Budget.
- R. **"C" Budget:** Priority department requested current programs and services not included in the Proposed Budget or the "B" Budget.

## GLOSSARY OF TERMS

<b>Ad Valorem Tax</b>	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.
<b>Allocated Revenues</b>	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.
<b>Allowed Budget</b>	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).
<b>Appropriation</b>	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.
<b>Areawide Services</b>	Services provided throughout the entire municipality. Examples are education, planning and zoning, library, health and transit.
<b>Assessed Valuation</b>	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.
<b>Average Mill Rate</b>	The average tax rate (mill levy) computed by: $\frac{\text{Total Property Tax Required}}{\text{Total Areawide Assessed Valuation}} \times 1,000 = \text{Average Mill Rate}$
<b>Balanced Budget</b>	A budget in which sufficient revenues must be available to fund anticipated expenditures.
<b>Budget Unit</b>	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.
<b>Budget Year</b>	1993 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.

**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:

$$\begin{array}{r} \text{Direct} + \text{Intragovernmental} - \text{Intragovernmental} = \text{Function} \\ \text{Cost} \quad \text{Charges From} \quad \text{Charges to Others} \quad \text{Cost} \\ \quad \quad \quad \text{Others} \end{array}$$

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.

**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 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:

$$\begin{array}{l} \text{Property Tax} \\ \text{Required In A} \\ \text{Service Area} \end{array} \div \begin{array}{l} \text{Total Assessed} \\ \text{Value of Taxable} \\ \text{Property in the} \\ \text{Service Area} \end{array} \times 1,000 = \text{Mill Levy}$$

**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:

$$\begin{array}{l} \text{Direct Cost} \\ + \text{ Intragovernmental} \\ \quad \text{Charges From Others} \\ - \text{ Program Revenues} \end{array} - \begin{array}{l} \text{Intragovernmental} \\ \text{Charges to Others} \end{array} = \text{Net Program Cost}$$

**Prior Year** 1991 for the purposes of this budget.

**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:

$$\begin{array}{l} \text{Net Program Costs} \\ \text{for all Budget} \\ \text{Units in a} \\ \text{Particular Fund} \end{array} - \begin{array}{l} \text{Allocated Revenues} \\ \text{Assigned to the} \\ \text{Fund and Fund} \\ \text{Balance} \end{array} = \begin{array}{l} \text{Property Tax} \\ \text{Required for} \\ \text{the Fund to} \\ \text{Meet the} \\ \text{Budget} \end{array}$$

**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).

<b>Service Area</b>	<p>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).</p> <p>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:</p> <ul style="list-style-type: none"> <li>• Chugiak Fire Service Area</li> <li>• Anchorage Police Service Area</li> <li>• Anchorage Roads and Drainage Service Area</li> <li>• Girdwood Valley Service Area</li> <li>• Glen Alps Service Area</li> </ul>
<b>Service Level</b>	<p>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.</p>
<b>Spending Limitation</b>	<p>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.</p>
<b>Tax Limitation</b>	<p>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.</p>
<b>Tax Requirement</b>	<p>The amount of property tax allowed and necessary to fund the budget.</p>
<b>Tax-supported</b>	<p>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.</p>

**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.