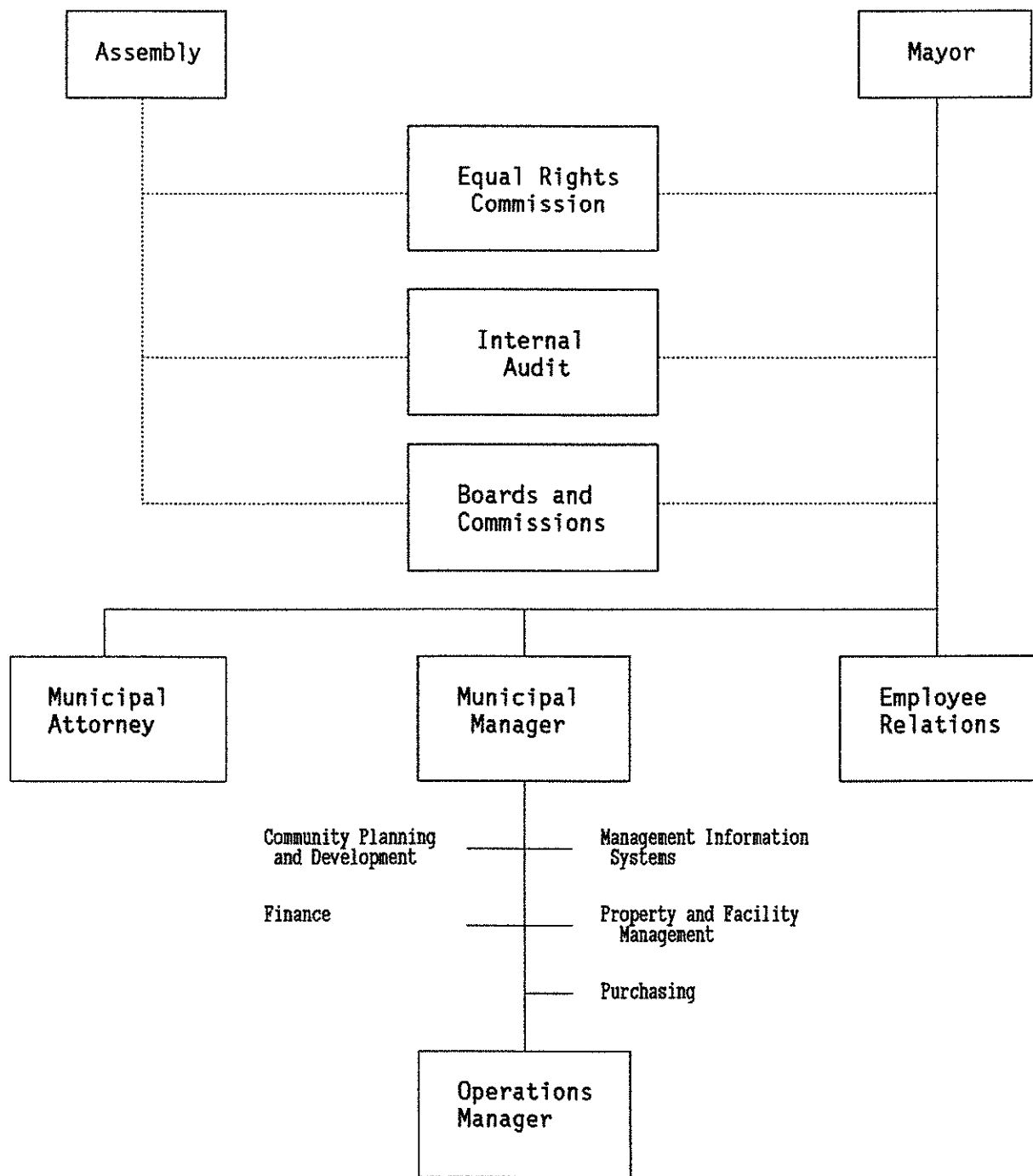


BUDGET OVERVIEW

1995 GENERAL GOVERNMENT OPERATING BUDGET MUNICIPALITY OF ANCHORAGE ORGANIZATION



Health and Human Services

Fire

Police

Cultural and Recreational Services

Transit

Public Works

Anchorage Water and Wastewater *

Merrill Field Airport *

Municipal Light and Power *

Port of Anchorage *

Solid Waste Services *

* The public utilities publish a separate budget document.

MUNICIPALITY OF ANCHORAGE
OVERVIEW OF THE PROPOSED
1995 GENERAL GOVERNMENT OPERATING BUDGET

GOAL AND PRIORITIES

THE ADMINISTRATION AND MUNICIPAL EMPLOYEES ARE COMMITTED TO THE GOAL OF MAKING ANCHORAGE A GREAT PLACE TO LIVE AND RAISE OUR FAMILIES. WE WILL PROVIDE THE HIGHEST POSSIBLE LEVEL OF SERVICE TO THE PEOPLE OF ANCHORAGE WITHIN THE BUDGET CONSTRAINTS FACING US IN 1995.

In achieving our goal to make Anchorage a more liveable city, the Administration will focus on six broad priorities:

- Public Safety

We will provide a safe environment for our city's residents and visitors. We must ensure that the Police Department is properly staffed and scheduled to reduce the occurrence of violent crime in Anchorage. Increased on-street presence will have a dramatic impact in the areas of domestic violence, DWI arrests, and Juvenile crime. Maximum police and prosecution efforts will be used to stop any kind of gang element from ever plaguing our city as they have so many other American cities.

Our high quality fire and emergency medical emergency response capability must be even further improved and provided to our citizens in the most efficient and cost effective manner.

- Economic Development

We must facilitate orderly, attractive growth in our community.

We will assure that our local government is a partner, not a barrier, to business. Our reputation as a safe place to invest, to work, and to live must be among the best in America and the Pacific rim.

The expansion of tourism will have a very positive impact on our economy. We must work to ensure Anchorage grows as a popular tourist destination.

We must support the efforts of the Anchorage Convention and Visitors Bureau and the Anchorage Economic Development Corporation. By working with these groups and others, we can lead the way in building economic strength for our community.

- Quality of Life

A city must always strive to keep costs down just as a family must always live within its means. But within a tight budget we must provide, as efficiently as possible, those cultural and recreational amenities such as museum, libraries, bike trails, parks and recreation opportunities that make a city liveable and enjoyable. We must also provide basic social and public health services to those in need.

Cultural and arts facilities contribute to the quality and the economic strength of our community. We will be especially supportive of those facilities and programs which receive substantial portions of their revenue from user fees and private contributions.

Using cost effective non-profit organizations is the best way to deliver needed social, cultural, and recreational services. We must work closely with these groups to encourage them to play a major part in solving the challenge of providing social, cultural, and recreational services in a period of declining revenues.

- Maintenance of Municipal Roads and Facilities

We need to adequately maintain our municipal basic facilities, roads and public buildings, as well as parks, bike trails, and cultural facilities. We will maintain existing facilities on a schedule that will allow our children to enjoy the benefits of these improvements for many years.

Emphasis will be placed on maintaining our Municipal infrastructure through an aggressive program to obtain State grant funding and through the use of net revenues generated by the Heritage Land Bank as established by A0 93-199(S).

- Transportation

In addition to adequate roads, a basic transit program is an important element of our overall transportation system. Transit has been addressed in the 1995 budget.

- Fiscal Stability

The tax cap was intended as a ceiling, not a target. We must strive to provide needed public services at less than the tax cap.

We must deal fairly and in good faith with all labor unions to develop agreements that balance the proper level of public service with appropriate compensation. We must work together in developing salary and benefit packages that are both equitable and comparable to private business in Anchorage.

If falling State revenues require the reduction of the State government budget, it is only fair for local governments to share in that reduction. However, the current trend for the State to balance its budget on the backs of local governments by disproportionate reductions in State Revenue Sharing and Municipal Assistance is inequitable and only serves to increase the pressure on local budgets. We will work with other Alaska communities to make sure that this trend does not continue.

The current tax resources of the Municipality are adequate if they are well managed. Eventually, we may need to seek additional resources, but for now, we must convince the public that our current funding is well spent.

OPERATING BUDGET SUMMARY

The 1995 Proposed General Government Operating Budget is \$217,642,480, or \$181,480 less than the 1994 revised budget of \$217,823,960. It is \$3.7 million under the tax cap.

REVENUES NOTES

State and Federal Revenues

- The \$14.9 million of Municipal Assistance and \$0.6 million State Senior Property Tax Credit included in this budget have already been appropriated by the State Legislature.
- The \$7.9 million of State Revenue Sharing will not be appropriated until the spring of 1995 and the total State-wide funding during the 1995 legislative session is assumed to be the same as in 1994. However, Anchorage 1995 funding is estimated to be about \$257,000 greater than that for 1994 due to the non-continuing impact of 1994 reduction based on the local revenues part of the formula.
- Federal revenues are forecast to be slightly less than in 1994.

Program and Local Revenues

- User fees have been reviewed. Some small adjustments have been made to fee totals. Rates remain unchanged and no new fees are being proposed.
- A \$5.5 million utility revenue distribution of profits from Anchorage Telephone Utility is included based on what is an equitable return to its owners (the taxpayers of Anchorage) on their investment in this operation. ATU has so far tentatively agreed to a distribution of \$4 million.
- A \$358,000 utility revenue distribution of profits is included from the Port of Anchorage. This is an increase of \$179,500 over the 1994 Revised Budget.

- Hotel-Motel Tax revenues for 1995 are estimated to be \$700,000 higher than the amount in the 1994 Revised Budget due to both increased tourism (\$300,000) and the opening of the Alyeska Prince Hotel (\$400,000). Fifty percent of the increased revenues will be contributed to the Anchorage Convention and Visitors Bureau.

Property Taxes The tax cap was intended as a limit, not a goal. We must strive to provide needed public services at less than the tax cap.

Intragovernmental Charges The 1995 IGCs outside of the General Government Operating Budget (to the utilities, grants, and capital) are based on continuation of existing service and management relationships with the exception of charges to ATU which have decreased by approximately \$1.0 million. This reduction in charges to ATU reflects reduced services to be provided by the Management Information Systems Department to ATU.

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 1995 than in 1994 due primarily to less monies being available for application from the Self Insurance Fund

EXPENDITURE NOTES

Employee Wages and Benefits: Salaries and benefits for 1995 were calculated using the General Government Automated Budget System using the benefit rates (including medical-dental insurance) shown in Appendix K. The 1995 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. The proposed budget assumes a pay/benefit freeze through December 31, 1995 or equivalent personnel costs savings, except for applicable step and longevity increases.

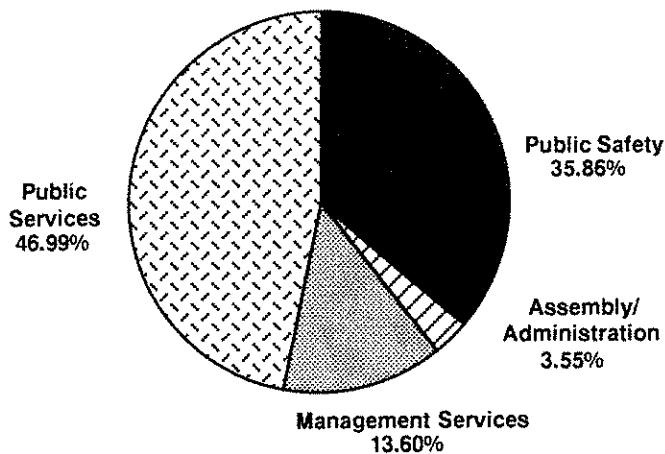
Department Data: Due to the complexity of department budgets and the different levels of program revenues, intragovernmental charges, debt service, and small service area requirements, the best way to analyze a department is through a review of service levels and all supporting schedules. Some of the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

1995 General Government Operating Budget

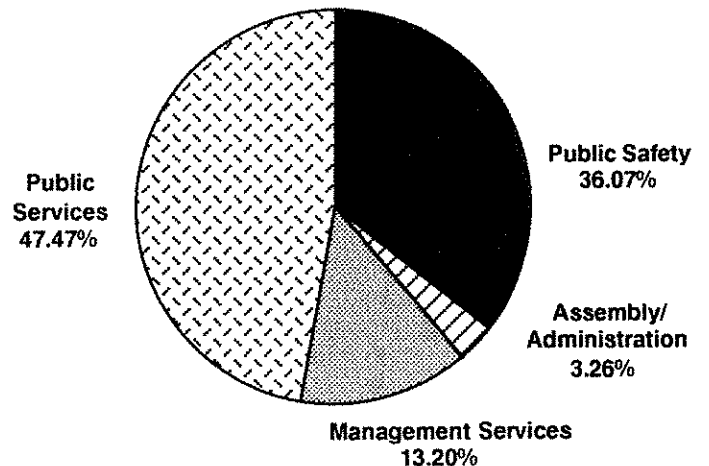
DIRECT COST APPROPRIATION BY FUNCTIONAL AREA

Public Services/ Transportation/ Neighborhoods		Public Safety		Management Services		Assembly/ Administration	
Public Works	\$ 48,315,550	Police	\$38,777,160	Municipal Manager	\$ 1,507,340	Assembly	\$2,056,110
Cultural & Recreational Services	18,179,560	Fire	28,256,850	Finance	13,962,030	Equal Rights Commission	396,410
Transit	8,757,980	Health & Human Services	11,469,020	Manage- ment Information Systems	9,579,660	Internal Audit	465,410
Community Planning & Development	2,268,840			Employee Relations	2,470,110	Office of the Mayor	721,500
Property & Facility Management	17,015,930			Purchasing	897,840	Municipal Attorney	3,449,420
Non- Departmental	8,787,360			Operations Manager	308,400		
TOTAL	\$103,325,220		\$78,503,030		\$28,725,380		\$7,088,850

**1994 Revised
\$217,823,960**



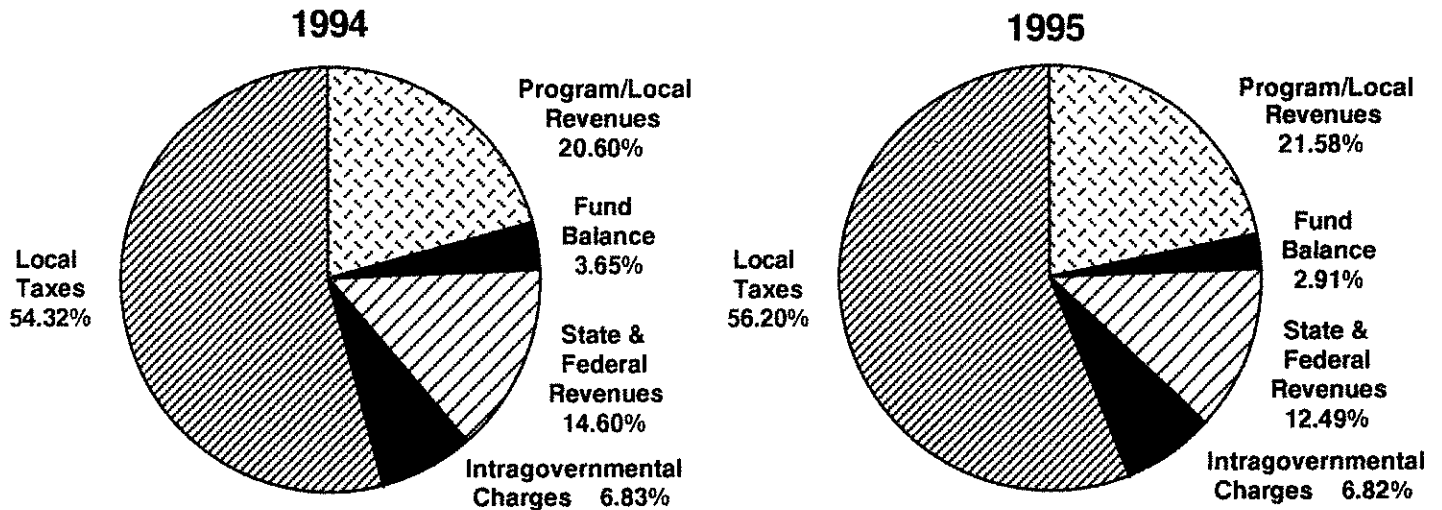
**1995 Budget
\$217,642,480**



1995 General Government Operating Budget

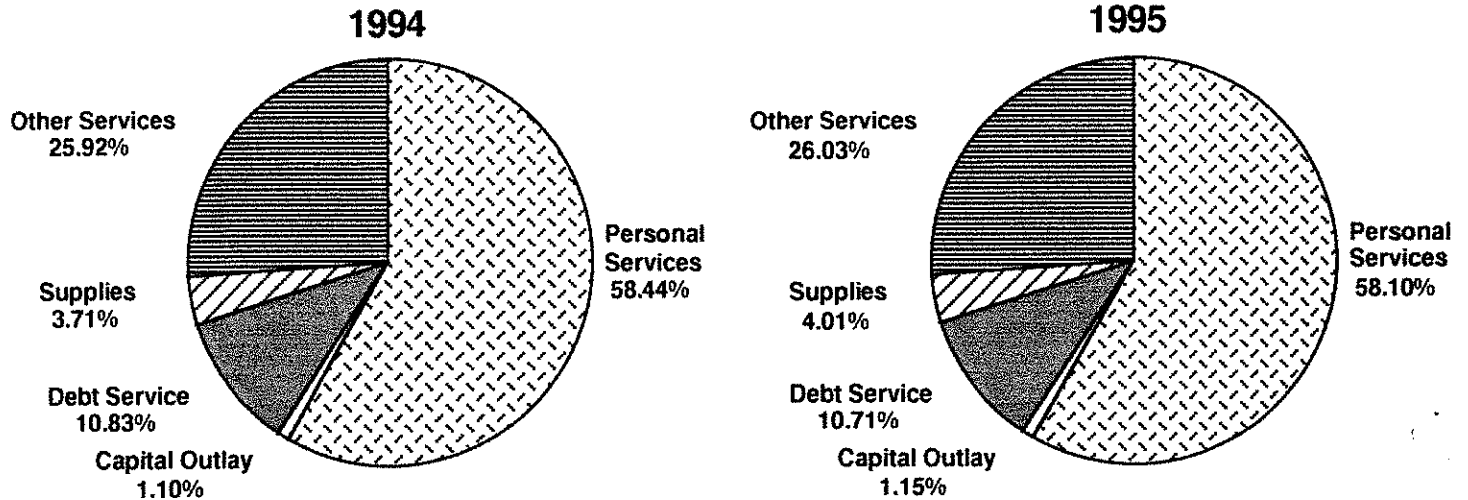
SOURCE OF FUNDS

	<u>1994 Revised</u>	<u>1995 Budget</u>
State and Federal Revenues	\$ 31,799,960	\$ 27,179,120
Program/Local Revenues	44,874,320	46,965,390
Property Taxes	118,329,870	122,320,530
Intragovernmental Charges	14,873,580	14,852,980
Applied Fund Balance	<u>7,946,230</u>	<u>6,324,460</u>
TOTAL	\$217,823,960	\$217,642,480



DIRECT COST BY TYPE OF EXPENDITURE

	<u>1994 Revised</u>	<u>1995 Budget</u>
Personal Services	\$127,302,770	\$126,458,140
Supplies	8,090,130	8,735,220
Other Services	56,453,280	56,646,480
Debt Service	23,611,300	23,308,080
Capital Outlay	<u>2,366,480</u>	<u>2,494,560</u>
TOTAL	\$217,823,960	\$217,642,480



1995 General Government Operating Budget

SUMMARY OF ALL REVENUE ACCOUNTS

Revenue Source	1994 Revised*	1995 Budget
FEDERAL REVENUES		
9312 Federal in Lieu of Property Tax	\$ 337,520	\$ 337,520
9324 Mass Transportation	700,000	675,000
9331 Other Federal Grant Revenue	43,120	56,700
9357 National Forest Allocation	2,630	2,630
9376 Civil Defense	20,000	20,000
Total Federal Revenues	\$ 1,103,270	\$ 1,091,850
STATE REVENUES		
9346 Health Facilities	\$ 750,050	654,480
9349 Road Maintenance	832,990	705,570
9362 Tax Equalization Entitlement	8,183,190	6,533,540
Total State Revenue Sharing	\$ 9,766,230 ^a	\$ 7,893,590
9022 State in Lieu of Taxes	170,000	170,000
9342 Municipal Assistance	17,430,000	14,893,620
9344 Fisheries Tax	163,090	163,090
9347 Liquor Licenses	363,610	363,610
9348 Amusement Device Licenses	30,480	30,480
9355 Electric Co-Op Allocation	700,000	700,000
9356 State Senior Tax Credit	801,730	601,330
9363 State Traffic Signal Reimbursement	1,271,550	1,271,550
Total State Revenues	\$ 30,696,690	\$ 26,087,270
^a 1994 Actual: \$7,742,210		
LOCAL REVENUES		
ALLOCATED		
9003 Penalty/Interest on Delinquent Taxes	\$ 2,288,050	\$ 1,988,050
9004 Tax Cost Recoveries	48,670	48,670
9006 Auto Tax	3,764,640	3,764,640
9011 Tobacco Tax	2,934,340	2,934,340
9021 Franchises	779,000	779,000
9023 Hotel and Motel Taxes	6,362,360	7,062,360
9024 Penalty/Interest on Hotel/Motel Taxes	21,020	21,020
9601 Contributions From Other Funds	381,780	382,230
9602 Utility Revenue Distribution From ATU	4,000,000	5,500,000

* As of April 30, 1994

1995 General Government Operating Budget

SUMMARY OF ALL REVENUE ACCOUNTS

Revenue Source	1994 Revised*	1995 Budget
9615 Contribution of Interest From G.O. Bonds	810,020	810,020
9737 ACPA Ticket Surcharge	150,000	150,000
9743 Gain/Loss-Sale-Property	300,000	0
9761 Cash Pool Short-Term Interest	1,941,750	1,941,750
9762 Other Short-Term Interest	639,670	639,670
Total Allocated Local Revenues	\$ 24,421,300	\$ 26,021,750
PROGRAM		
9008 Collection Service Fees	\$ 330,000	\$ 330,000
9111 Building and Trade Licenses	44,820	45,000
9112 Taxicab Permits	162,330	162,330
9113 Contractor Certificates and Examinations	1,640	1,700
9114 Chauffeur Licenses	10,500	10,500
9115 Taxicab Permit Revisions	10,630	10,630
9116 Local Business	56,800	60,000
9117 Chauffeur License Renewal	17,500	17,500
9131 Plan Checking Fees	952,620 **	849,810 **
9132 Building Permits	1,165,360 **	1,337,830 *
9133 Electrical Permits	275,000	290,000
9134 Gas and Plumbing Permits	335,000	350,000
9135 Moving Fence/Sign Fees	9,900	10,000
9136 Construction and Right-of-Way Permits	215,400	145,400
9137 Elevator Inspection Fees	88,000	90,000
9138 Mobile Home Inspection Fees	20,100	21,000
9139 Land Use Permits	82,090	60,450
9141 Subdivision Inspection Fees	50,000	50,000
9142 Site Plan Review Fees	14,000	14,000
9143 Parking and Access Agreement Fees	350	350
9151 Emission Certificate Fee	1,497,000	1,600,000
9191 Animal Licenses	95,000	165,000
9199 Miscellaneous Permits	46,800	175,800
9211 Court Fines and Forfeitures	1,929,510	1,935,060
9213 Library Book Fines	217,630	212,600
9215 Other Fines and Forfeitures	369,000	214,000
9216 Pre-Trial Diversion	54,500	54,500
9218 Zoning Enforcement Fines	26,800	20,820
9219 I&M Enforcement Fines	44,480	45,000
9411 Platting Fees	181,300	153,120
9412 Zoning Fees	83,300	57,000
9413 Sale of Publications	41,400	44,000
9415 Miscellaneous Map Sales	9,500	15,500
9416 Rezoning Inspections	1,000	1,000

** Does not include Funds 0181 (Building Safety) and 0221 (Heritage Land Bank) Profit.

1995 General Government Operating Budget

SUMMARY OF ALL REVENUE ACCOUNTS

Revenue Source	1994 Revised*	1995 Budget
9419 Vehicle Emission Inspection Fee	15,000	15,000
9423 Family Planning Fees	90,000	110,000
9425 Dispensary Fees	63,000	65,000
9426 Sanitary Inspections Fees	864,490	887,100
9427 Clinic Fees	61,800	42,400
9428 Cook Inlet Air Pollution	14,300	14,300
9431 Public Transit Fees	1,732,200	1,749,380
9433 Transit Advertising Fees	42,000	42,000
9441 Recreation Centers and Programs	399,000	399,950
9442 Sports and Park Activities	332,940	334,840
9443 Aquatics	1,202,570	1,203,570
9444 Camping Fees	92,500	95,000
9448 Library Fees	800	1,700
9449 Admission Fees	384,260	388,260
9451 Ambulance Service Fees	1,606,000	2,066,430
9453 Fire Alarm Fees	38,700	38,700
9455 Hazardous Waste Fees	138,000	135,000
9462 Cemetery Fees	131,400	131,400
9463 Mapping Fees	33,000	33,000
9478 Parking Authority Income	400,000	250,000
9481 State of Alaska - 911	883,500	883,500
9482 DWI Impound/Admin. Fees	31,000	31,000
9483 Police Services	45,000	0
9484 Animal Shelter Fees	240,000	280,000
9491 Address Fees	8,000	8,000
9492 Service Fees - School District	462,420	538,930
9493 Microfiche Sales	10,000	8,000
9494 Copier Fees	85,600	78,480
9495 Parking Authority Service Fees	6,000	6,000
9497 Computer Time Fees	5,000	5,000
9498 Unbilled Revenue (Flex-Benefits)	10,000	19,430
9499 Reimbursed Costs	442,850	518,450
9711 Assessments	498,570	315,500
9712 Penalty/Interest on Assessments	310,030	308,400
9731 Lease & Rental Revenues	443,590	406,060
9732 Lease State Land Conveyance	32,040	28,450
9733 Building Rental	55,360	71,680
9735 Amusement Surcharge	88,600	85,500
9736 Arena Loan Surcharge	167,500	135,040
9741 State Land Sales	262,030 **	305,940 **
9742 Other Property Sales	102,650	108,650
9752 Parking Garages and Lots	52,000	52,000
9763 State Land Sale Interest	53,990	115,790
9782 Lost Book Reimbursement	14,320	14,810

** Does not include Funds 0181 (Building Safety) and 0221 (Heritage Land Bank) Profit.

1995 General Government Operating Budget

SUMMARY OF ALL REVENUE ACCOUNTS

Revenue Source	1994 Revised*	1995 Budget
9785 Sale of Books	30,000	34,000
9793 Liquor Licenses	1,500	1,500
9794 Appeal Receipts	3,550	3,900
9795 Sale of Contractor Specifications	14,000	14,000
9798 Miscellaneous Revenue	12,700	12,700
Total Program Local Revenues	\$ 20,453,020	\$ 20,943,640
Total Local Revenues	\$ 44,874,320	\$ 46,965,390
OTHER REVENUES		
Intragovernmental Revenues	\$ 14,873,580	\$ 14,852,980
Fund Balance Applied	7,946,230	6,324,460
Property Taxes	118,329,870	122,320,530
Total Other Revenues	\$141,149,680	\$143,497,970
TOTAL REVENUES	<u>\$217,823,960</u>	<u>\$217,642,480</u>

* As of April 30, 1994.

** Does not include Funds 0181 (Building Safety) and 0221 (Heritage Land Bank) Profit.

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 November.

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 38 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. Both the tax limitation and the spending limitation were effective with the 1994 budget. To date, the tax limitation has always been the dominant factor.

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	PUBLIC WORKS		
Mission	To plan, design, construct and maintain a street, traffic and drainage system in an environment of innovation and advanced technology; administer and enforce building codes and zoning and private development ordinances; administer use of public rights-of-way by public agencies, utilities, and private entities; administer the function of the Anchorage Memorial Cemetery.		
Major Program Highlights	<ul style="list-style-type: none">- Construct new streets, drainage structures, and other facilities in a timely, cost-effective manner to meet current and projected needs.- Operate streets, traffic control systems and photo radar program to assure fast, economical, and safe movement of traffic and pedestrians.- Maintain street drainage facilities and sedimentation basins commensurate with the need of the public and demands of police, fire and emergency response agencies while lowering annual and total life cycle costs.- Provide effective administration and enforcement of codes and ordinances related to construction, zoning and private development in a manner that will assure public safety with the least cost and interference to residents and private developers.- Provide accurate coordination reference data for public and private development within the Municipality.- Manage all aspects of the Anchorage Memorial Cemetery.- Provide technical support to update/maintain the Public Works Automated Mapping System.- Provide management of the Anchorage Watershed and perform requirements of the Federal Storm Water NPDES (National Pollution Discharge Elimination System) permit.- Provide General Government Real Estate Acquisition support.		
Resources	1994	1995	
Direct Costs	\$ 47,269,890	\$ 48,315,550	
Program Revenues	\$ 5,604,580	\$ 5,560,060	
Personnel	247FT 6PT 14T	248FT 5PT 12T	
Grant Budget	\$ 142,000	0	
Grant Personnel	1T	0	

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.

1995 RESOURCE PLAN											
DEPARTMENT: PUBLIC WORKS											
DIVISION	FINANCIAL SUMMARY		PERSONNEL SUMMARY								
	1994 REVISED	1995 BUDGET	1994 REVISED				1995 BUDGET				
			FT	PT	T	TOTAL	FT	PT	T	TOTAL	
ADMINISTRATION	437,980	378,070	3	1		4	2	1		3	
ADMINISTRATIVE SUPPORT	206,450	214,800	3			3	3			3	
PROJECT MGMT/ENGINEERING	4,118,580	3,932,780	37	2	7	46	37	2	7	46	
STREET MAINTENANCE	17,381,290	17,537,000	108	1	2	111	108		2	110	
BUILDING SAFETY DIVISION	4,424,780	4,294,690	57	1	2	60			59		
TRAFFIC ENGINEERING	3,423,390	3,637,960	39	1	3	43	39	2	3	44	
STREET LIGHTING	102,960	102,960									
OPERATING COST	30,095,430	30,098,260	247	6	14	267	248	5	12	265	
ADD DEBT SERVICE	17,174,460	18,217,290									
DIRECT ORGANIZATION COST	47,269,890	48,315,550									
ADD INTRAGOVERNMENTAL CHARGES FROM OTHERS	12,769,950	13,019,530									
TOTAL DEPARTMENT COST	60,039,840	61,335,080									
LESS INTRAGOVERNMENTAL CHARGES TO OTHERS	10,456,880	10,382,900									
FUNCTION COST	49,582,960	50,952,180									
LESS PROGRAM REVENUES	5,604,580	5,560,060									
NET PROGRAM COST	43,978,380	45,392,120									
=====											
1995 RESOURCES BY CATEGORY OF EXPENSE											
DIVISION	PERSONAL SERVICES	SUPPLIES	OTHER SERVICES		CAPITAL OUTLAY		TOTAL DIRECT COST				
ADMINISTRATION	187,120	19,050	171,900				378,070				
ADMINISTRATIVE SUPPORT	209,950	3,870	980				214,800				
PROJECT MGMT/ENGINEERING	2,929,450	56,750	923,680		87,000		3,996,880				
STREET MAINTENANCE	7,589,830	1,990,900	8,123,330				17,704,060				
BUILDING SAFETY DIVISION	3,878,190	97,680	343,770		48,180		4,367,820				
TRAFFIC ENGINEERING	3,271,390	258,090	130,820		42,690		3,702,990				
STREET LIGHTING			102,960				102,960				
DEPT. TOTAL WITHOUT DEBT SERVICE	18,065,930	2,426,340	9,797,440		177,870		30,467,580				
LESS VACANCY FACTOR	369,320						369,320				
ADD DEBT SERVICE							18,217,290				
TOTAL DIRECT ORGANIZATION COST	17,696,610	2,426,340	9,797,440		177,870		48,315,550				

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 1994 REVISED BUDGET TO 1995 PROPOSED BUDGET

DEPARTMENT: PUBLIC WORKS

	<u>DIRECT COSTS</u>	<u>POSITIONS</u>		
		FT	PT	T
1994 REVISED BUDGET:	\$ 47,269,890	247	6	14
1994 ONE-TIME REQUIREMENTS:				
- 1993 Construction Program	(217,760)			
- Girdwood Payment to AWWU	(34,080)			
- Building Safety Permit System	(31,790)			
- Building Safety Interest Payment	(150,000)			
- CBERRRSA Summer Work	(225,000)			
- Rabbit Creek Re-Plat	(5,000)			
- Contribution to Resource Development	6,500			
1994 BUDGET REDUCTIONS (1995 IMPACT):	(187,530)	(1)		
AMOUNT REQUIRED TO CONTINUE EXISTING PROGRAMS IN 1995:				
- Salaries and Benefits Adjustment	186,640			
- Non-Personal Services Inflation Adjustment	304,780			
1994 CONTINUATION LEVEL:	\$ 46,916,650	246	6	14
FUNDED NEW/EXPANDED SERVICE LEVELS:				
- Increase Debt Service	1,042,830			
- Add Full-Time Plan Review Position Reduce Temporary Staff	61,810	1		(2)
- Photo Radar Program	93,330	1		
- ROW Special Activities Program	200			
- Clean/Dredge One Sedimentation Basin	150,000			
- Expand Concrete Repair Program	200,000			
UNFUNDED CURRENT SERVICE LEVELS:				
- Reduce Clerical Support in Street Maintenance Administration	(30,770)		(1)	
MISCELLANEOUS INCREASES (DECREASES):				
- Miscellaneous Increases in Supplies	1,500			
- Utilities	80,000			
- Miscellaneous Decreases in Non-Program Specific Street Maintenance Division Supplies and Contracts	(200,000)			
1995 BUDGET REQUEST:	\$ 48,315,550	248FT	5PT	12T

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 work performance measures.

1995 PROGRAM PLAN

DEPARTMENT: PUBLIC WORKS
PROGRAM: Code Abatement

DIVISION: BUILDING SAFETY DIVISION

PURPOSE:

Provide a just, equitable, and practical method whereby buildings or structures which endanger life, health, safety or welfare of the occupants or the general public may be vacated, repaired, or demolished.

1994 PERFORMANCES:

- Demolished dangerous and abandoned buildings when the owners failed to make required corrections by the deadline set by abatement order.
- Responded to complaints about dangerous conditions in existing buildings requiring violations be corrected that are an imminent threat to safety.
- Inspected structures sustaining fire, casualty, or wind damage ensuring dangerous conditions were corrected.
- Inspected buildings where Municipal or state licenses were issued and assured there are no imminent threats to life or safety.
- Reviewed and approved applications for demolition of existing structures.

1995 PERFORMANCE OBJECTIVES:

- Demolish dangerous and abandoned buildings when the owners fail to make required corrections within the period established by abatement orders.
- Timely response to complaints about dangerous conditions in existing buildings and correct violations that are an imminent threat to safety.
- Inspect structures sustaining fire, casualty, or wind damage to assure dangerous conditions are corrected.
- Conduct inspections of buildings where Municipal or state licenses are to be issued to assure there are no imminent threats to life or safety.
- Review and approve applications for demolition of existing structures.

RESOURCES:

	1993 REVISED			1994 REVISED			1995 BUDGET		
	FT	PT	T	FT	PT	T	FT	PT	T
PERSONNEL:	2	1	0	2	1	0	2	2	0
PERSONAL SERVICES	\$	156,080		\$	158,270		\$	190,740	
SUPPLIES		1,150			1,400			1,400	
OTHER SERVICES		34,780			26,750			9,220	
CAPITAL OUTLAY		0			1,800			0	
TOTAL DIRECT COST:	\$	192,010		\$	188,220		\$	201,360	
PROGRAM REVENUES:	\$	9,500		\$	9,500		\$	9,500	

WORK MEASURES:

- Abatement inspections	603	500	650
- Code Compliance inspections	239	230	330
- Business/Day care licensing reviewed	186	200	200
- Abatement cases opened	208	200	250
- Cases resolved	295	290	440
- Structures demolished	90	95	140

128 SERVICE LEVELS ARE FUNDED FOR THE DEPARTMENT. THIS PROGRAM HAS LEVELS:
37, 86,100

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. **Department Operating Budgets at a Glance:** Comparison of 1995 Proposed Budget direct costs, tax-supported direct costs, and total positions of each department with the 1994 Revised Budget.
- B. **Personnel Summary:** Compares Proposed Budget personnel positions by type (full-time, part-time, temporary) and department with current and prior year.
- C. **Direct Cost by Expenditure Type:** The budget is summarized by department and expense category. This ties in to the Resource Plan totals for each department. The total direct cost for each department is the department appropriation.
- D. **Function Cost Comparison by Fund:** Compares Proposed Budget function costs (direct costs with intragovernmental charge additions and subtractions) by fund with current year.
- E. **Mill Levy Comparisons by Fund:** Compares the Proposed Budget mill levies by fund (service area) with the approved mill levies for the current year.
- F. **Explanation of Taxing Direct Mill Levies:** Illustrates how individual fund mill levies are determined and subsequently accumulated to determine a taxing district mill levy.
- G. **1995 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.
- H. **Mill Levy Comparison by Taxing District:** Compares each taxing district's Proposed Budget mill levy with its current year approved mill levy.
- I. **Mill Levy Trends:** Shows the ten-year mill levy trend by taxing district. Included is the mill levy for school district operations.
- J. **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.
- K. **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.
- L. **Debt Service Summary by Program:** Provides detailed information regarding the outstanding debt and the principal and interest payments for the budget year.

- M. **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.
- N. **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.

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	The average tax rate (mill levy) computed by: $\frac{\text{Total Property Tax Required}}{\text{Total Areawide Assessed Valuation}} \times 1,000 = \text{Average Mill Rate}$
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	1995 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	<p>The appropriation level for funds (or service areas). Function cost is calculated as follows:</p> $\begin{array}{rcccl} \text{Direct} & + & \text{Intragovernmental} & - & \text{Intragovernmental} & = & \text{Function} \\ \text{Cost} & & \text{Charges From} & & \text{Charges to Others} & & \text{Cost} \\ & & \text{Others} & & & & \end{array}$ <p>The function cost of a particular fund is the sum of the function costs of all budget units assigned to the fund.</p>
Fund	An accounting entity designed to isolate the expenses and revenues of a particular program or service. Funds are classified according to type: general, enterprise, debt service, etc. The expenses and revenues are accounted for according to generally accepted accounting principles. Each service area established in the municipality is assigned a unique fund number and title.
Fund Balance	A reserve equal to approximately 10% of the appropriation for each fund. This protects against shortfalls in revenue collection, allows adequate cash flow management and provides the financial ability to meet emergencies.

Intragovernmental Charge	The charge for a service which one budget unit (servicer) provides to another (requestor). Charges to other budget units are counted as revenues; charges from others are counted as expenses.
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	<p>A rate of tax to be assessed on all taxable property. Mill rates are expressed in terms of \$1 of tax per \$1,000 of assessed value. Mill Levy is computed as follows:</p> $\frac{\text{Property Tax Required In A Service Area}}{\text{Total Assessed Value of Taxable Property in the Service Area}} \times 1,000 = \text{Mill Levy}$
Net Program Cost	<p>The amount required to support a program that is not 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:</p> $\begin{aligned} &\text{Direct Cost} + \text{Intragovernmental Charges From Others} - \text{Intragovernmental Charges to Others} \\ &\quad - \text{Program Revenues} = \text{Net Program Cost} \end{aligned}$
Program Plan	A description of the work to be performed and resources required for each major type of activity (program).
Program Revenue	Revenues earned by a program, including fees for service, license and permit fees and fines.
Property Tax	<p>Total amount of revenue to be raised by levying taxes on real and personal property. Property tax is computed as follows:</p> $\begin{aligned} &\text{Net Program Costs for all Budget Units in a Particular Fund} - \text{Allocated Revenues Assigned to the Fund and Fund Balance} = \text{Property Tax Required for the Fund to Meet the Budget} \end{aligned}$
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	<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 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"> • Chugiak Fire Service Area • Anchorage Police Service Area • Anchorage Roads and Drainage Service Area • Girdwood Valley Service Area • Glen Alps Service Area
Service Level	<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>
Spending Limitation	<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 measures by the Anchorage consumer price index) and expenditures required to provide voter and legally mandated services.</p>
Tax Limitation	<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>
Tax Requirement	<p>The amount of property tax allowed and necessary to fund the budget.</p>
Tax-supported	<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>
Zero-base Budgeting (ZBB)	<p>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.</p>