

# **GUIDE**

## 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 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 Municipality except for Girdwood and Turnagain Arm. 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 1984 budget.

## **Appropriations**

Municipal agencies cannot expend funds without an appropriation. An appropriation is a level of funding authorized by the Assembly. The Assembly appropriates the operating budget by each department's direct cost, and by each fund's function cost (these terms are explained later). Appropriations for general government operations that have not been spent at the end of one fiscal year do not carry over into the next fiscal year.

### **III. HOW AN OPERATING BUDGET IS PREPARED AND COMPILED**

The budget process begins each spring with a preliminary planning phase. Departments review their programs and responsibilities, assess what is being done during the current year and begin making plans for the next year (the budget year). Some factors considered during this preliminary planning phase are:

- New facilities that will open and require staff, supplies and other operating expenses.
- New responsibilities or programs required by federal, state or local laws.
- New or changed programs to meet community needs or interests.
- Programs that can be eliminated because they are no longer required or desired.
- Efficiencies that can be achieved through better resource management.

Both the balanced budget concept and the tax limitation necessitate early predictions of both expenditures and revenues. First, the budget staff calculates a continuation level for each department. This is a projection of what it would cost in the budget year to continue existing programs at the same level of activity. Factors that must be considered include union wage agreements 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	(2,000,000)
Service Area Function Cost	<u>\$ 9,000,000</u>

All of the function costs for each service area (fund) are totaled. 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 Section 3, Revenues.

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	( 500,000)
Service Area Tax Requirement	<u>\$2,000,000</u>

## Calculation of Mill Levies

To calculate mill levies, the tax requirement and the estimated assessed valuation of the taxable property in each service area must be known. The mill levy is computed as follows:

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

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

## 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 four major sections:

- \* **Budget Overview:** highlights of the budget.
- \* **Revenue:** Two-year Summary of all Revenues; revenue notes; detailed breakdown of all revenues.
- \* **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 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

- 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 Program and perform requirements of the Federal Storm Water NPDES (National Pollution Discharge Elimination System) permit.
- Provide General Government Real Estate Acquisition support.

  

RESOURCES	1996	1997
Direct Costs	\$52,378,120	\$55,253,210
Program Revenues	\$ 5,805,750	\$ 5,903,090
Personnel	261FT 3PT 18T	262FT 2PT 21T
Grant Budget	\$ 15,000	\$ 0
Grant Personnel	0	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.

1997 RESOURCE PLAN												
DEPARTMENT: PUBLIC WORKS												
DIVISION	FINANCIAL SUMMARY				PERSONNEL SUMMARY							
	1996 REVISED	1997 BUDGET			1996 REVISED			1997 BUDGET				
					FT	PT	T	TOTAL	FT	PT	T	TOTAL
ADMINISTRATION	363,560	378,100			2	1		3	2	1		3
ADMINISTRATIVE SUPPORT	215,510	216,780			3			3	3			3
PROJECT MGMT/ENGINEERING	4,063,330	4,161,130			42	1	6	49	43		7	50
STREET MAINTENANCE	19,258,060	20,592,010			112		5	117	111		5	116
BUILDING SAFETY DIVISION	4,493,250	4,492,090			60		2	62	60		4	64
TRAFFIC ENGINEERING	4,128,820	4,369,120			42	1	5	48	43	1	5	49
STREET LIGHTING	195,870	165,870										
OPERATING COST	32,718,400	34,375,100			261	3	18	282	262	2	21	285
ADD DEBT SERVICE	19,659,720	20,878,110										
DIRECT ORGANIZATION COST	52,378,120	55,253,210										
ADD INTRAGOVERNMENTAL CHARGES FROM OTHERS	12,880,140	13,480,130										
TOTAL DEPARTMENT COST	65,258,260	68,733,340										
LESS INTRAGOVERNMENTAL CHARGES TO OTHERS	10,690,810	11,238,600										
FUNCTION COST	54,567,450	57,494,740										
LESS PROGRAM REVENUES	5,805,750	5,903,090										
NET PROGRAM COST	48,761,700	51,591,650										
=====												
1997 RESOURCES BY CATEGORY OF EXPENSE												
DIVISION	PERSONAL SERVICES	SUPPLIES		OTHER SERVICES	CAPITAL OUTLAY	TOTAL DIRECT COST						
ADMINISTRATION	193,910	20,320		167,710		381,940						
ADMINISTRATIVE SUPPORT	207,640	6,180		2,800	4,370	220,990						
PROJECT MGMT/ENGINEERING	3,378,340	64,600		691,250	91,860	4,226,050						
STREET MAINTENANCE	7,976,400	1,804,210		10,962,100		20,742,710						
BUILDING SAFETY DIVISION	4,139,280	96,590		276,120	59,670	4,571,660						
TRAFFIC ENGINEERING	3,653,400	335,050		450,610		4,439,060						
STREET LIGHTING				165,870		165,870						
DEPT. TOTAL WITHOUT DEBT SERVICE	19,548,970	2,326,950		12,716,460	155,900	34,748,280						
LESS VACANCY FACTOR	373,180					373,180						
ADD DEBT SERVICE						20,878,110						
TOTAL DIRECT ORGANIZATION COST	19,175,790	2,326,950		12,716,460	155,900	55,253,210						

## 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 1996 REVISED BUDGET TO 1997 BUDGET				
<b>DEPARTMENT: PUBLIC WORKS</b>				
	DIRECT COSTS	POSITIONS		
		FT	PT	T
<b>1996 REVISED BUDGET:</b>	\$ 52,378,120	261	3	18
<b>1996 ONE-TIME REQUIREMENTS:</b>				
- Arctic Winter Games	(5,000)			
- Rabbit Creek SID	(15,000)			
- Building Safety Permit Automation System	(164,570)			
- Vehicle Replacement Contribution	(56,250)			
- CBERRSA Summer Program	(350,000)			
- Eagle River Street Lights	(60,000)			
- Skyranch LRSA	(10,000)			
- South Goldenview LRSA	(20,000)			
<b>AMOUNT REQUIRED TO CONTINUE EXISTING PROGRAMS IN 1997:</b>				
- Salaries and Benefits Adjustment	538,140			
- Non-Personal Services Inflation Adjustment	317,330			
<b>1996 CONTINUATION LEVEL:</b>	\$ 52,552,770	261	3	18
<b>FUNDED NEW/EXPANDED SERVICE LEVELS:</b>				
- Communications Support for New Police Service Area	84,060	1		
- Increase Use of Potassium Acetate	80,000			
- Maintenance & Repair of Additional Street Lights	150,000			
- Operation Clean Sweep - Zoning Enforcement	37,000			2
- Snow Removal From Neighborhoods	725,000			
- CBERRRSA Summer Maintenance	350,000			
- Eagle River Street Lights Maintenance & Repair	30,000			
<b>UNFUNDED CURRENT SERVICE LEVELS:</b>				
- Reduce Contract Support for Watershed Management	(25,000)			
- Reduce Contract/Supplies On-Line Access to GIS	(7,830)			
- Reduce IMSA Training in Traffic Engineering	(5,000)			
<b>MISCELLANEOUS INCREASES (DECREASES)</b>				
- Debt Service Increase	1,218,390			
- Personnel Cost Traffic Engineering	(10,000)			
- Utility Increase	73,820			
- Convert PT to Temp in Engineering	0		(1)	1
<b>1997 BUDGET REQUEST:</b>	<u>\$ 55,253,210</u>	<u>262 FT</u>	<u>2 PT</u>	<u>21 T</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 **work performance measures**.

### 1997 PROGRAM PLAN

DEPARTMENT: PUBLIC WORKS  
PROGRAM: Paint & Signs

DIVISION: TRAFFIC ENGINEERING

**PURPOSE:**

To manufacture, install and maintain all traffic control signing areawide for the Municipality and apply traffic control pavement markings within the Right-of-Way for ARDSA.

**1996 PERFORMANCES:**

- Painted and maintained all traffic markings within ARDSA for the street network to include school and pedestrian crosswalks maintained by the Municipality of Anchorage.
- Provided and maintained signing for street identification, transit stops, motorist regulation/information, and special need identification.
- Maintained, manufactured, and installed traffic control signs areawide within the Municipality of Anchorage roadway system.

**1997 PERFORMANCE OBJECTIVES:**

- Maintain, manufacture, and install traffic control signs areawide within the Municipality of Anchorage roadway system.
- Paint and maintain all traffic markings within ARDSA for the street network to include school and pedestrian crosswalks maintained by the Municipality of Anchorage.
- Provide and maintain signing for street identification, transit stops, motorist regulation/information, and special need identification.

**RESOURCES:**

	1995 REVISED			1996 REVISED			1997 BUDGET		
	FT	PT	T	FT	PT	T	FT	PT	T
PERSONNEL:	7	0	2	7	0	4	7	0	4
PERSONAL SERVICES			\$ 580,560			\$ 627,700			\$ 658,590
SUPPLIES			141,110			141,390			182,510
OTHER SERVICES			3,850			3,850			3,850
CAPITAL OUTLAY			9,100			0			0
<b>TOTAL DIRECT COST:</b>			<b>\$ 734,620</b>			<b>\$ 772,940</b>			<b>\$ 844,950</b>
<b>PROGRAM REVENUES:</b>			<b>\$ 88,700</b>			<b>\$ 88,700</b>			<b>\$ 88,700</b>

**WORK MEASURES:**

- Signs manufactured	4,700	4,700	5,500
- Locations of signs and posts maintained	5,750	5,750	6,200
- Crosswalks painted	960	960	970
- Turn pocket painting	440	440	441
- Striping (lane miles)	200	200	500
- Dual turns painted	80	80	80

123 SERVICE LEVELS ARE FUNDED FOR THE DEPARTMENT. THIS PROGRAM HAS LEVELS: 32, 72, 89, 90

## 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 1997 Proposed Budget direct costs, tax-supported direct costs, and total positions of each department with the 1996 Revised Budget.
- B. **Personnel Summary:** Compares Proposed Budget personnel positions by type (full-time, part-time, temporary) and department with current 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. **1997 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 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 proposed budget cannot exceed the property taxes allowed, as calculated in this schedule.

## 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>	1997 for the purposes of this budget.

<b>Charter</b>	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
<b>Code</b>	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.
<b>Continuation Level</b>	Projection of what it would cost in the budget year to continue existing programs and services at the same level of activity.
<b>Debt Service</b>	Principal and interest payments on debt incurred (bonds sold) by the municipality.
<b>Direct Costs</b>	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.
<b>Expense</b>	General government expenses include salaries, wages, supplies, contracts, debt service, purchases of machinery and equipment.
<b>Fiscal Year</b>	An accounting term for the budget year. The fiscal year of the municipality is January through December 31.
<b>Function Cost</b>	<p>The appropriation level for funds (or service areas). Function cost is calculated as follows:</p> $\begin{array}{r} \text{Direct} + \text{Intragovernmental} - \text{Intragovernmental} = \text{Function} \\ \text{Cost} \quad \text{Charges From} \quad \text{Charges to Others} \quad \text{Cost} \\ \quad \quad \quad \text{Others} \end{array}$ <p>The function cost of a particular fund is the sum of the function costs of all budget units assigned to the fund.</p>
<b>Fund</b>	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.
<b>Intragovernmental Charge</b>	The charge for a service which one budget unit (servicer) provides to another (requester). Charges to other budget units are counted as revenues; charges from others are counted as expenses.
<b>Mandated Increase</b>	Budget increase required for Federal, State, or Municipal legally mandated services or programs.

**Mill Levy or  
Mill Rate**

A rate of tax to be assessed on all taxable property rates are expressed in terms of \$1 of tax per \$1,000 of assessed value. Mill Levy is computed as follows:

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

**Net Program Cost**

The amount required to support a program that is not 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:

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

**Program Plan**

A description of the work to be performed and resources required for each major type of activity (program).

**Program Revenue**

Revenues earned by a program, including fees for service, license and permit fees and fines.

**Property Tax**

Total amount of revenue to be raised by levying taxes on real and personal property. Property tax is computed as follows:

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

**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**

A legal entity which funds particular governmental services. Service areas are created, altered or abolished only with the approval of a majority of those voting on the question within the affected area. The services are financed only from taxes on property within the area (after all other revenue sources are applied).

Areawide services are provided to, and paid for by, taxpayers throughout the municipality. Other services are limited to smaller geographic areas. Examples of service areas are:

- Chugiak Fire Service Area
- Anchorage Police Service Area
- Anchorage Roads and Drainage Service Area
- Girdwood Valley Service Area
- Glen Alps Service Area

<b>Service Level</b>	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.
<b>Spending Limitation</b>	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.
<b>Tax Limitation</b>	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.
<b>Tax Requirement</b>	The amount of property tax allowed and necessary to fund the budget.
<b>Tax-supported</b>	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.
<b>Zero-base Budgeting</b>	A budgeting process which allows for review of varying <b>(ZBB)</b> 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.