

Budget in Brief

CITIZENS' GUIDE TO THE APPROVED 1999 GENERAL GOVERNMENT OPERATING BUDGET

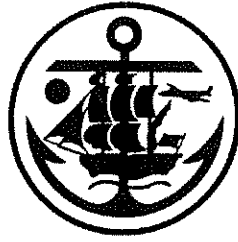


Municipality of Anchorage

Rick Mystrom

Mayor

Municipality
of
Anchorage



Office of the Mayor

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Rick Mystrom, Mayor

December 2, 1998

Dear Residents of Anchorage:

Enclosed herein is the approved 1999 General Government Operating Budget.

The 1999 budget will allow us to continue our efforts to make Anchorage a safer and more livable city. Crime in Anchorage has continued its dramatic decline, our citywide cleanup and beautification efforts have continued to expand, the economy is growing and becoming much more diversified, and our future is healthy. We will work to continue the safer city trend by maintaining the appropriate quality and quantity of Anchorage police officers, keeping our police department connected with the community, keeping the community involved in public safety issues, and keeping up the momentum for a cleaner city. All of these actions work to reduce crime.

As we enter the next century, I believe that quality of life will be the most important economic development force of our foreseeable future. To a larger degree than ever, people will be able to choose where they want to live and do business. I believe they will seek a community that is safe, clean, and offers a healthy lifestyle and businesses will look for communities that can offer their employees a good place to live and raise a family.

Diversification is key to maintaining a stable economy. Anchorage has shown resiliency in absorbing the loss of oil and gas and military jobs over the past several years. Much of the diversification of our economy has been growth in areas such as:

- Air cargo and tourism
- Hotel and lodging services
- Food services
- Fisheries industry
- Retail industry
- Health care
- Communications
- Education

"City of Lights and Flowers"

As I have always stressed during my four years as Mayor, the future belongs to the communities that understand the importance of quality of life. That is why it is so important that we continue our progress towards making Anchorage the safer, cleaner, healthier city we all would like it to be. The 1999 budget will allow us to continue our efforts to make Anchorage such a city.

Others around the United States have taken notice of our city.

- Two different national publications have identified Anchorage as having the lowest taxes of any major American city
- The two major bond rating agencies, Standard and Poor and Moody's, have given Anchorage their highest debt ratings based on our financial management and outlook
- The United States Conference of Mayor's just selected Anchorage's drinking water as "the best tasting in the Nation"
- Our Solid Waste Utility recently received the gold medal for best overall landfill operation in America
- Cities around the country are calling our office asking about our "Bridge Builders" and "Parent Network" programs
- Readers Digest called Anchorage one of the fifty best places in America to raise a family

I want to thank the Assembly, the various involved Municipal boards and commissions, and the general public for their efforts during the 1999 budget process. We continued the steps to reach our goal of making Anchorage an even better place to live and raise our families.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick Mystrom". The signature is stylized and written in cursive.

Rick Mystrom

BUDGET IN BRIEF

CITIZENS' GUIDE TO THE

APPROVED 1999

GENERAL GOVERNMENT OPERATING BUDGET

Rick Mystrom, Mayor

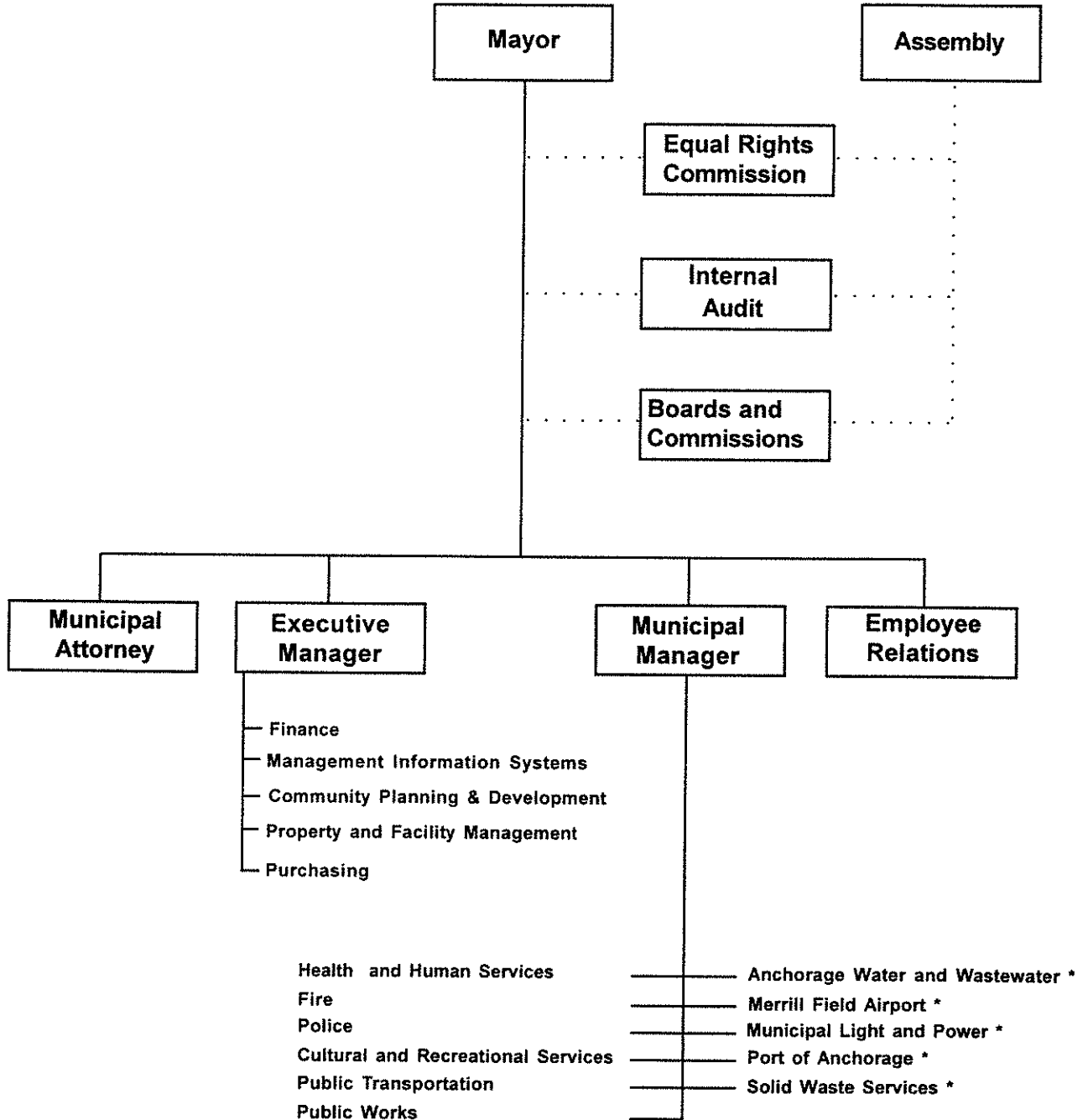
ASSEMBLY

Pat Abney	Dan Kendall	Fay Von Gemmingen, Chair
Bob Bell	Kevin Meyer	Charles Wohlforth
Ted Carlson	Joe Murdy	George Wuerch
Cheryl Clementson	Melinda Taylor	

ADMINISTRATION

George J. Vakalis	Municipal Manager
Mary K. Hughes	Municipal Attorney
Thomas C. Tierney	Employee Relations Director
Elaine A. Christian	Executive Manager

**1999 GENERAL GOVERNMENT OPERATING BUDGET
MUNICIPALITY OF ANCHORAGE
ORGANIZATION**



* The public utilities publish a separate budget document.

BUDGET IN BRIEF
**CITIZENS' GUIDE TO THE
APPROVED 1999
GENERAL GOVERNMENT OPERATING BUDGET**

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WELCOME

The municipal budget is the financial plan of operation for the government of the Municipality of Anchorage. The municipal budget is divided into three parts: general government, utilities and capital improvement.

The General Government Operating Budget is of particular interest to the Anchorage taxpayer since it is partially financed by property taxes. The general government budget covers the operation and maintenance of police, fire, street maintenance, parks and recreation and other organizations that provide general government services. Approximately 59% of the general government budget is funded by property taxes. The remainder comes from federal and state revenues and other local sources.

The 1999 ***Budget in Brief*** is intended to provide the reader with an overview of the 1999 General Government Operating Budget. If you are interested in more detailed information regarding the 1999 budget than presented in this ***Budget in Brief***, copies of the 1999 General Government Operating Budget are available for your review in the Alaska Collection at the Loussac Library and the reference area of each branch library. Copies of the General Government Capital Budget and the Utilities Operating and Capital Budgets are also available for your review at each library. General Government Capital Budget and Utility Budgets summary information is also available at the Municipality's web site (see bottom of this page).

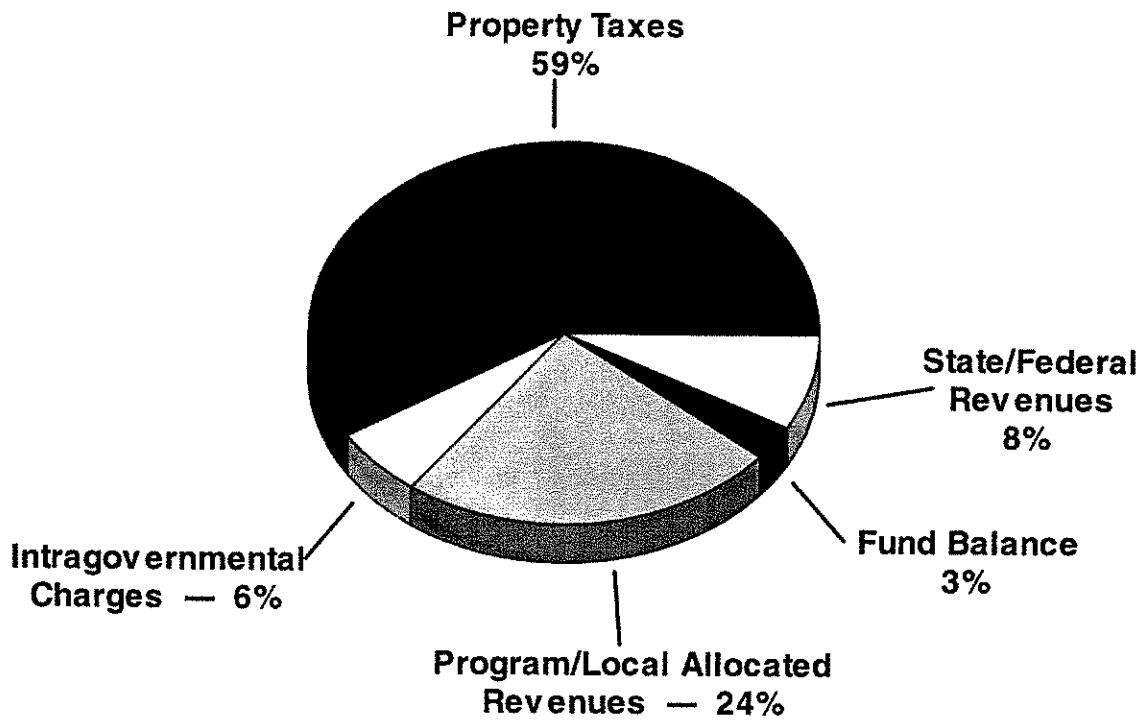
Visit the Municipality's Home Page at <http://www.ci.anchorage.ak.us>

HOW THE 1999 BUDGET COMPARES TO 1998

	<u>1998 Revised</u>	<u>1999 Approved</u>	<u>Increase/(Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
EXPENDITURES (DIRECT COSTS)	\$ 251,084,978	\$ 257,014,620	\$ 5,929,642	2.4 %
<u>REVENUES (NON-PROPERTY TAX)</u>				
State/Federal	\$ 20,987,050	\$ 21,186,630	\$ 199,580	
Local Allocated	35,539,430	36,339,430	800,000	
Program	24,306,150	25,879,140	1,572,990	
IGCs to Non-General Government	16,110,720	15,691,850	(418,870)	
Applied Fund Balance	12,442,773	6,632,090	(5,810,683)	
Total	<u>\$ 109,386,123</u>	<u>\$ 105,729,140</u>	<u>\$ (3,656,983)</u>	
PROPERTY TAXES REQUIRED TO FUND BUDGET	<u>\$ 141,698,855</u>	\$ 151,285,480	\$ 9,586,625	
PROPERTY TAX CAP		<u>151,632,685</u>		
AMOUNT UNDER TAX CAP		<u>\$ (347,205)</u>		
PROPERTY TAX ON NEW CONSTRUCTION			3,677,220	
PROPERTY TAX INCREASE ON EXISTING PROPERTY			<u>\$ 5,909,405</u> *	4.2 %

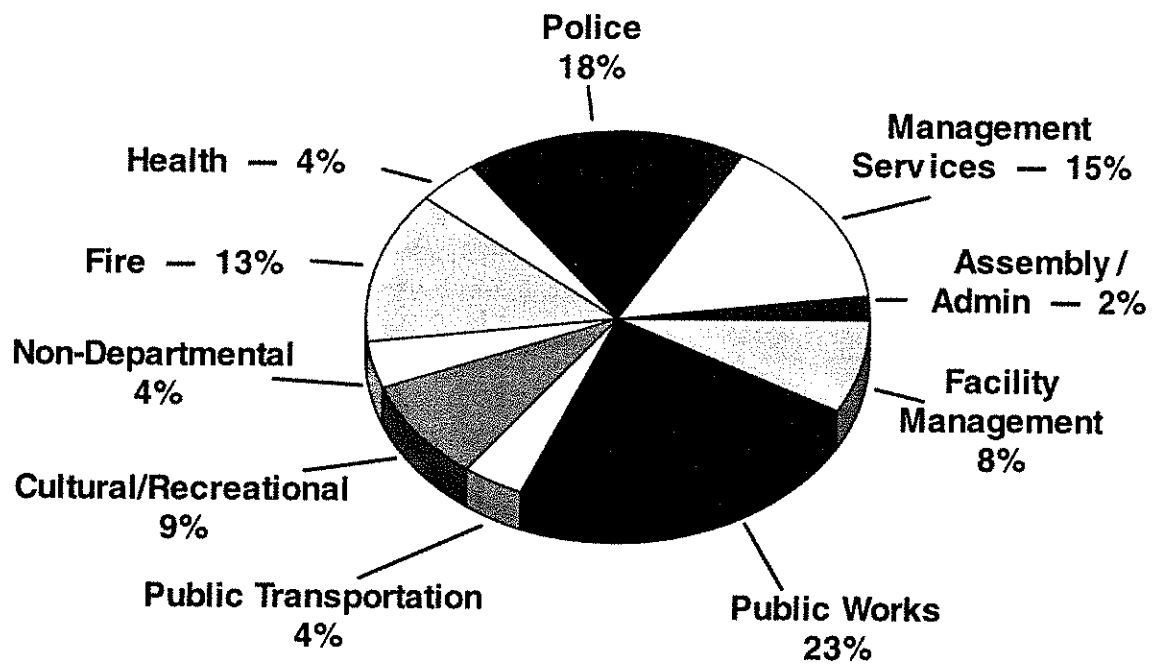
*	\$	2,467,135	Public Safety Increases
		2,062,020	Voter Approved Increases
		600,000	Reduced ATU Dividend
		260,040	Library Books Increase
		117,000	Paratransit ADA Federal Mandate Increase
		403,210	Other Increases/(Decreases) [Net]
		<u>\$ 5,909,405</u>	

Where the Money Comes From . . .



(see pages 10-11 for additional details)

. . . Where It Goes



(see pages 12-14 for additional details)

SERVICE PRIORITIES FOR A BETTER ANCHORAGE

THE ADMINISTRATION AND MUNICIPAL EMPLOYEES ARE COMMITTED TO THE GOAL OF MAKING ANCHORAGE AN EVEN BETTER PLACE TO LIVE AND RAISE OUR FAMILIES. THE ADMINISTRATION WILL PROVIDE THE HIGHEST POSSIBLE LEVEL OF SERVICE TO THE PEOPLE OF ANCHORAGE WITHIN THE BUDGET CONSTRAINTS FACING US IN 1999.

In achieving our goal to make Anchorage a more livable city, the Administration will continue to focus on seven broad priorities. Although shown as seven separate priorities, there is in fact much overlap. For example, public safety and quality of life are very important economic development forces; and fiscal stability is key in ensuring adequate funding for the other six priorities.

- **Public Safety**

We will continue to provide a safe environment for our City's residents and visitors by maintaining the appropriate quality and quantity of Anchorage police officers, keeping our police department connected with the community, keeping the community involved in public safety issues, and keeping up the momentum for a cleaner city. All of these work to reduce crime.

Crime in Anchorage for 1997 was down from 1996 in all categories. Comparisons of the 1997 crime rate per 100,000 population to 1995 show how much crime conditions have improved in the last two years. Based on the population statistic, Anchorage has experienced a 28% decrease in homicides, 36% decrease in rape, 43% decrease in robbery, 43% decrease in stolen autos, 32% decrease in burglary, 27% decrease in assaults, and a 20% decrease in theft during the last two years. The downturn in the crime statistics can be largely credited to the Anchorage Police Department; to a good job by the Municipal Prosecutor's Office, State District Attorney's Office, and the U.S. Attorney's Office in prosecuting offenders; and to the volunteer support and commitment of the general public.

The continued downward trend in crime gives a good indication that Anchorage's aggressive stance against crime, including the move to community policing, is really beginning to show good results. Although we can be pleased by this information, we should not yet be satisfied. These crime statistics are a good sign that Anchorage is moving toward being the safer city we all want, but there is still work to be done. The community's constant vigilance and high level of awareness to criminal activities is one of the major keys to making Anchorage a safer city.

We must ensure that the Police Department is properly staffed and scheduled to ensure the continued reduction in the occurrence of violent crime in Anchorage. Increased on-street presence is having a dramatic impact in the areas of domestic violence, DWI arrests, and juvenile crime. The 1999 budget provides for 15 additional police officers. In addition, it provides full Municipal funding of the 15 police officers hired under the 1995 federal grant that expired September 30, 1998. Funding has also been included for the increased local match required of the federal grant received in mid-1997 that provided for an additional 6 police officers.

At full strength in 1999, we will have 370 sworn officers compared to 248 sworn officers actually on board in November 1994 — this equates to a 49% increase in the number of sworn officers over the past four years.

Our fire and emergency medical response capabilities are increased in the 1999 budget with the addition of 24 new positions. The fully integrated fire and medical services have improved emergency response times, while the number of emergency calls continues to increase due to population increases. In 1999, our major emphasis on public education and cost-effective fire and medical response will continue.

The Public Safety Financial Plan introduced by the Mayor and approved by the Assembly in 1997 continues the Municipality's ability to provide financial support for public safety programs while reducing the impact on property taxpayers. The Plan utilized Anchorage's \$12.1 million share of the State's "Safe Communities" legislation early one-time payment to reduce existing long-term bonds or was used in lieu of selling new bonds associated with public safety programs which will save \$22 million over the life of the bonds.

- **Fiscal Stability**

Two of our biggest challenges during recent years have been trying to keep taxes down in the wake of decreasing State revenues and effecting the sale of the Anchorage Telephone Utility.

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 trend for the State to balance its budget by disproportionate reductions in State revenues to municipalities is inequitable and only serves to increase the pressure on local taxpayers. Such reductions represent a form of tax shifting from the State to the local level. We will continue to work with other Alaska communities to help prevent this trend from continuing.

In April 1998 Anchorage voters approved going forward with the sale of the Anchorage Telephone Utility (ATU). We are aggressively proceeding with the sale process and plan on closing the ATU transaction during the first half of 1999.

We are well along in the process of converting to a new financial accounting, payroll, and personnel system and addressing the year 2000 computer problem.

As a result of our stable financial outlook, strong financial performance, and excellent cash management, national bond rating agencies rate Anchorage among the best in the nation.

In the most recent annual study of taxes in the largest city in each state plus the District of Columbia, called the "Tax Rates and Tax Burdens: A Nationwide Comparison", Anchorage again was identified as having the lowest taxes in the nation.

- **Economic Development**

We will continue to help facilitate orderly, attractive growth in our community.

We will work to create an anchor for coordinated development of the city's waterfront including a diversity of uses such as government and commercial offices, research facilities and conference facilities, recreational and educational opportunities, and tourism.

We are doing a funding feasibility study for the development of the Alaska Salmon Research and Fisheries Center which could be built in the Ship Creek area. The facility would be a tourist attraction and working salmon research center. We are working on the development of a Commercial Fisheries Center in Anchorage. The Center would be established as a central gathering location for the statewide commercial fishing industry.

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 can be among the best in America and the Pacific Rim. We are restructuring the current building permitting process to be more efficient and effective in responding to community needs.

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

We will continue to work in partnership with the Anchorage Convention and Visitors Bureau, the Anchorage Economic Development Corporation and the Anchorage and Eagle River Chambers of Commerce. By working with these groups and others, we can lead the way in building economic strength for our community.

- **Quality of Life**

As we enter the next century, quality of life will be the most important economic development force of our foreseeable future. People want to live and do business in a community that is safe, clean, and offers a healthy lifestyle. Business will seek out communities that can offer their employees a good place to live and raise a family.

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 a museum, libraries, bike trails, parks and recreation opportunities that make a city livable and enjoyable. We will 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**

Attractive, functional streets are an important asset of a community. We will continue to make the streets throughout our City safer and cleaner. Continued use of de-icing agents and high quality gravel combined with earlier street sweeping will reduce spring dust levels. Continued emphasis on streetlight maintenance will continue to improve the safety of our neighborhoods.

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

Emphasis will continue to be placed on rehabilitating and maintaining our Municipal infrastructure through an aggressive program to obtain State grant funding and through the use of bond proceeds and other local funds identified for this purpose.

In addition to adequate roads, a basic public transportation program is an important element of our comprehensive transportation system. We expect to see continued improvement in People Mover ridership through a focused marketing program. Efficiencies in the Munilift paratransit program should continue to improve as combined ride scheduling for the disabled and seniors transportation programs are implemented. The increased commuter participation in the Share-A-Ride and Vanpool programs will help to reduce roadway congestion and improve local air quality.

- **Community Planning**

The preparation of a new Anchorage Bowl Comprehensive Plan which will provide guidance for the City's development over the next twenty years is well under way. This plan will be based on our community's vision of the future. It will present goals, policies, and strategies which can be used to guide our daily urban design decisions. Resources have been made available to produce data to do trend and population analysis, develop and identify essential planning districts and provide interface with current planning activities, and to develop transportation plans which are all necessary for the update of our Comprehensive Plan.

Our Community Planning and Development Department will efficiently respond to the increasing number of active rezoning, conditional use, and variance cases. We will build a new Permit and Development Center that will allow the public and the development/ construction industry to obtain all necessary permits from one location.

- **Beautification**

We will continue our efforts to make Anchorage a more beautiful, attractive city for both the people who live here and those who visit. The maintenance and watering of our sports and parks facilities and road right-of-ways/medians will enjoy a high priority. The flowers throughout our city play an important role in its beauty. We will continue our efforts on timely zoning enforcement. Programs such as Operation Clean Sweep, junk car removal, and Graffiti Busters make our city more attractive and a better place in which to live or visit.

1999 GENERAL GOVERNMENT OPERATING BUDGET

WHERE THE MONEY COMES FROM . . .

	<u>1998 Budget</u>	<u>1999 Approved Budget</u>	<u>Increase/ (Decrease)</u>
State Revenues	\$ 20,208,770	\$ 20,423,350	\$ 214,580
Federal Revenues	778,280	763,280	(15,000)
Program Revenues	24,306,150	25,879,140	1,572,990
Local Allocated Revenues	35,539,430	36,339,430	800,000
Intragovernmental Charges	16,110,720	15,691,850	(418,870)
Applied Fund Balance	12,442,773	6,632,090	(5,810,683)
Property Taxes	141,698,855	151,285,480	9,586,625
	<u>\$251,084,978</u>	<u>\$ 257,014,620</u>	<u>\$ 5,929,642</u>

Revenues for 1999

State Revenues

Safe Communities Program	\$ 11,484,220
State Revenue Sharing	5,999,990
Reimbursement for Maintenance of State Traffic Signals	1,271,550
Electric Co-Op Allocation	930,000
Liquor Licenses	365,500
Other	372,090
	<u>\$ 20,423,350</u>

Federal Revenues

Mass Transportation (Transit)	\$ 353,700
Federal in Lieu of Property Tax	306,450
Civil Defense	64,000
Other	39,130
	<u>\$ 763,280</u>

Program Revenues

These are revenues earned by the departments, including fees for services, license and permit fees, and fines:

Police	\$ 5,802,700
Public Works	8,124,980
Health and Human Services	3,348,310
Cultural & Recreational Services	3,347,660
Fire (includes EMS)	2,592,580
Public Transportation	2,233,830
Other	429,080
	<u>\$ 25,879,140</u>

Local Allocated Revenues

These are revenues received or earned by the Municipality from other than the State or Federal governments which are not attributed to a particular department/program or service:

Hotel-Motel Tax	\$ 9,000,000
Revenue Distribution from Municipal Utilities	7,500,000
Interest/Penalties	7,220,260
Tobacco Tax	4,979,000
Auto Tax (collected by State)	3,758,870
Police/Fire Retiree Medical Trust Fund Contribution	1,744,740
Police Capital Budget Fund Contribution	1,000,000
Assessments	780,560
Other	356,000
	<hr/>
	\$ 36,339,430

Intragovernmental Charges

These are revenues received by General Government for services performed for the Municipal utilities, capital projects, and State/Federal grants.

Municipal Utilities	\$ 7,789,270
Capital Projects	4,921,960
State and Federal Grants	2,980,620
	<hr/>
	\$ 15,691,850

Applied Fund Balance

Fund balances are cash balances in the various Municipal funds/service areas (i.e., Police; Anchorage Parks & Recreation; Anchorage Fire; Anchorage Roads and Drainage; etc.). These cash balances increase if actual expenditures during the year are less than budgeted or if revenues are more than budgeted; the balances decrease if revenues during the year are less than budgeted.

In order to avoid accruing unnecessarily large fund balances, fund balances have been reduced as much as possible, consistent with maintenance of bond ratings and types of contingencies which could require additional support from a particular fund. Such excess fund balances are "applied" to the budget to help fund it and reduce the requirement for property taxes.

Less fund balance is projected to be available to help fund the 1999 budget than in 1998 due to items such as the use of fund balances for one-time items in 1998 (e.g., firefighters retroactive salary increase) and less budget savings in 1998 due to tighter budgeting.

Property Taxes

This is the total amount of revenue to be raised by levying taxes on real property (including Municipal utilities except Merrill Field Airport) and personal property.

The property tax cap approved by the voters in 1983 was intended as a limit; however, available taxes should be used only when needed for priority services. The 1999 approved budget is \$347,205 below the tax cap.

1999 GENERAL GOVERNMENT OPERATING BUDGET

. . . WHERE THE MONEY GOES (BY DEPARTMENT)

Department	Direct Cost				Total Positions			
	1998 Revised	1999	Increase (Decrease)		1998 Revised	1999	Increase (Decrease)	
			Amount	%			Number	%
Assembly	\$ 2,278,750	\$ 2,314,710	\$ 35,960	1.6%	26	26	0	0.0%
Equal Rights	470,130	446,860	(23,270)	(4.9%)	6	6	0	0.0%
Internal Audit	459,160	476,150	16,990	3.7%	7	7	0	0.0%
Office of the Mayor	849,230	851,940	2,710	0.3%	9	9	0	0.0%
Municipal Attorney	4,106,530	4,244,940	138,410	3.4%	60	61	1	1.7%
Employee Relations	2,935,110	2,947,510	12,400	0.4%	32	32	0	0.0%
Municipal Manager	1,590,950	1,587,330	(3,620)	(0.2%)	20	23	3*	15.0%
Health & Human Services	9,942,360	10,085,620	143,260	1.4%	86	88	2	2.3%
Fire	33,624,645	32,438,380	(1,186,265)	(3.5%)	282	306	24	8.5%
Police	45,362,983	47,433,640	2,070,657	4.6%	527**	542**	15	2.8%
Cultural & Recreational Services	21,811,780	22,946,990	1,135,210	5.2%	530	548	18	3.4%
Public Transportation	9,727,920	9,914,550	186,630	1.9%	132	132	0	0.0%
Public Works	58,035,780	59,464,330	1,428,550	2.5%	334	347	13	3.9%
Executive Manager	766,290***	844,100	77,810	10.2%	12***	9	(3)*	(25.0%)
Finance	13,717,070	13,288,840	(428,230)	(3.1%)	129	123	(6)	(4.7%)
Management Info Systems	12,170,720	13,450,580	1,279,860	10.5%	82	85	3	3.7%
Community Planning and Development	2,758,820	2,787,610	28,790	1.0%	36	36	0	0.0%
Property & Facility Management	19,581,390	19,573,220	(8,170)	(0.0%)	90	90	0	0.0%
Purchasing	946,030	1,075,040	129,010	13.6%	14	15	1	7.1%
Non-Departmental	9,949,330	10,842,280	892,950	9.0%	0	0	0	0.0%
TOTAL	\$ 251,084,978	\$ 257,014,620	\$ 5,929,642	2.4%	2,414	2,485	71	2.9%

* Reflects net transfer of 3 positions from Executive Manager to Municipal Manager.

** Includes partially federally funded sworn positions (21 in 1998; 6 in 1999).

*** The 1998 Revised budget represents the Operations Manager's budget for 1998.

CHANGES IN THE BUDGET BETWEEN 1998 AND 1999

The following is a brief explanation of the major reasons for change where the increase or decrease for a department is greater than \$150,000.

Fire - \$1.1 million of expanded services for a firefighter company for the Eagle River fire station's new aerial ladder tower truck (voter-approved), an advanced life support company at the downtown fire station, a new firefighter-paramedic unit at the Huffman Road station, and a Fire/Rescue Dispatch Center supervisor. These increases together with increases in medical insurance and retirement costs and increased debt service from previously voter-approved bonds are more than offset by the elimination of a \$2.9 million one-time cost required in the 1998 budget for payment of a retroactive (1994-1997) salary increase.

Police - Full Municipal funding of 15 police officers hired under a 1995 federal grant that expired in 1998. Increased local match required for 1997 federal grant for 6 additional police officers. Part-year funding for an additional 15 new police officers. Increases in medical insurance and retirement costs.

Cultural and Recreational Services - Maintenance for 13 new sports fields. New right-of-way landscaping maintenance along "C" Street (Tudor to Potter), 5th/6th Avenues, and other high priority areas. Expanded urban tree management program. Additional library books. Expanded library on-line and video services (revenue supported).

Public Transportation - Federally mandated (Americans with Disabilities Act - ADA) increased requirements for paratransit service. Increased senior citizen transportation.

Public Works - Increased debt service from previously voter-approved roads and drainage bonds. Increased snow removal around bus stops (100% State funded). Additional staff and equipment to expedite the building permitting process (100% funded by permit revenues). Traffic engineering safety studies and trial programs.

Finance - Deleted self-insurance and remittance processing services to Anchorage Telephone Utility (ATU) resulting from sale of ATU.

Management Information Systems - Increased costs of paying debt for (1) modification of existing computer systems to correct the Year 2000 problem, (2) new Financial Information/Human Resources/Payroll System to replace existing 20-year-old system, and (3) other computer hardware and software applications. Staff increases required to support on-going computer applications.

Non-Departmental - Increased funding to Anchorage Convention and Visitors Bureau (of the \$600,000 projected increase in Hotel-Motel Tax collections, 50% will go to the ACVB for tourism promotion and 50% will be used to reduce property taxes). Transfer back of \$464,320 of expenditures transferred to the operating budget of the Port of Anchorage for 1998. Grant to University of Alaska Anchorage to help establish a Logistics Management Degree program. Grants to various non-profit organizations.

1999 GENERAL GOVERNMENT OPERATING BUDGET

. . . WHERE THE MONEY GOES (BY EXPENDITURE TYPE)

Department	Personal Services	Supplies	Other Services	Debt Service	Capital Outlay	Total Direct Cost
Assembly	\$ 1,268,060	\$ 53,900	\$ 875,600	\$ 0	\$ 117,150	\$ 2,314,710
Equal Rights Commission	401,010	2,500	43,350	0	0	446,860
Internal Audit	461,750	3,000	7,990	0	3,410	476,150
Office of the Mayor	681,120	18,710	146,110	0	6,000	851,940
Municipal Attorney	3,795,990	34,760	347,810	5,880	60,500	4,244,940
Employee Relations	1,989,630	73,720	883,220	0	940	2,947,510
Municipal Manager	1,426,820	19,040	87,460	39,170	14,840	1,587,330
Health and Human Services	4,907,380	366,380	3,354,890	1,418,070	38,900	10,085,620
Fire	25,086,180	695,980	5,312,300	460,550	883,370	32,438,380
Police	38,560,520	695,390	7,342,410*	610,350	224,970	47,433,640
Cultural and Recreational Services	15,018,910	830,180	3,257,730	1,742,240	2,097,930	22,946,990
Public Transportation	7,207,110	1,274,550	1,372,940	56,950	3,000	9,914,550
Public Works	21,107,870	2,500,510	12,933,280	22,689,110	233,560	59,464,330
Executive Manager	621,430	7,750	206,570	0	8,350	844,100
Finance	6,986,590	91,940	6,170,970	0	39,340	13,288,840
Management Information Systems	5,954,730	301,230	7,015,720	178,900	0	13,450,580
Community Planning and Development	2,390,910	27,890	316,460	0	52,350	2,787,610
Property and Facility Management	5,351,700	2,579,710	11,391,810	250,000	0	19,573,220
Purchasing	983,920	14,400	70,720	0	6,000	1,075,040
Non-Departmental	0	520	10,229,130	612,630	0	10,842,280
TOTAL	\$ 144,201,630	\$ 9,592,060	\$ 71,366,470	\$ 28,063,850	\$ 3,790,610	\$ 257,014,620

HOW MUCH PROPERTY TAX YOU ARE PAYING FOR EACH MUNICIPAL SERVICE

The Municipality of Anchorage operates under a "service area concept" whereby taxpayers in different areas or taxing districts of the Municipality pay property taxes only for those services which are either required by law or which they vote to receive. The following shows, for each \$100,000 assessed valuation, what residents pay for each of the services they receive including Anchorage School District.

Taxing District	Taxing Location	School District ¹	Areawide ²	Fire	Roads	Police	Parks & Rec	Building Safety	Road Debt Serv. ³	Total
1, 81	Anchorage Former City	\$ 777	\$ 226	\$ 157	\$ 351	\$ 262	\$ 91	\$ 1	\$ 2	\$ 1,867
2, 7, 19-21 28, 31-41 44-45, 52-54	Upper Hillside/ S.E. Midtown*	777	226	157		262	91	1		1,514
3, 14	Spenard / Muldoon / Sandlake / Ocean- view areas	777	226	157	351	262	91	1	0	1,865
4	Girdwood	777	226	159	100		48			1,310
5	Glen Alps	777	226		284	262				1,549
9	Stuckagain Heights / Basher*	777	226	157		262				1,422
10, 50	Chugiak, Birchwood ER Rural Road SA*	777	226	157	200	262	52			1,674
18	Lower Hillside	777	226	157	351	262	91	1		1,865
22, 51	Chugiak*	777	226	96	200	262	52			1,613
30	Eagle River Valley	777	226		200	262	52			1,517
42	Potter Heights	777	226		351	262				1,616
46	Eaglewood Contributing RSA	777	226	157	21	262	52			1,495
47	Gateway Contributing RSA	777	226		16	262	52			1,333
15	Other Outside Bowl without Police	777	226							1,003
16, 23, 43, 55	Rabbit Ck & S. Gold- enview w/o Fire / Bear Valley / Other outside bowl with Police*	777	226			262				1,265

¹ Based on same mill rate as for 1998.

² Some services provided by the Municipality must be offered on an "areawide" basis under state law or as provided for in the Municipal Charter. These include services such as health and environmental protection, social services, animal control, library, museum, mass transit, emergency medical services, planning and zoning, property assessment, and tax collection.

³ This Road Debt, originally issued prior to 1975, is from the former Anchorage City and Greater Anchorage Area Borough.

* Property taxes for Limited Road Service Areas and Street Lighting Service Areas, where applicable, are not included. Other Road Service Areas are included.

NOTE: The 1999 property taxes in this appendix are based on preliminary assessed valuation estimates which may change prior to April 1999 when the actual 1999 mill rates will be approved by the Assembly.

HOW THE BUDGET IS PREPARED

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, health and environmental protection, social services, animal control, library, museum, mass transit, emergency medical services, planning and zoning, property appraisal and tax collection. 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 (function costs 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.

PREPARATION OF THE MAYOR'S PROPOSED BUDGET

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, Executive Manager 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. The intragovernmental charge system allows general government departments/agencies to properly charge municipal utilities, grants and capital projects for services provided.

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 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 Hotel-Motel Tax and interest/penalties. These revenues are allocated to the various service areas (funds) as the budget is developed.

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