

BUDGET OVERVIEW

APPROVED BUDGET

IMPACT ON PROPERTY TAXES

NO INCREASE IN PROPERTY TAXES ON 1999 EXISTING PROPERTY

SHOULD THE LEGISLATURE PASS ON FURTHER
STATE REVENUE SHARING REDUCTIONS TO THE MUNICIPALITY,
THIS WILL RESULT IN AN INCREASE IN PROPERTY TAXES

	<u>1999</u>	<u>Approved 2000 Budget</u>
*Property Taxes on 1999 Existing Property	\$ 145,436,460	\$ 145,067,980
Property Taxes on 2000 New Construction	N/A	<u>2,638,910</u>
Total 2000 Property Taxes	N/A	<u>\$ 147,706,890</u>
Tax Cap	<u>148,920,905</u>	<u>156,848,450</u>
Property Tax Under Cap	<u>\$ (3,484,445)</u>	<u>\$ (9,141,560)</u>

* \$368,480 decrease from 1999 to 2000

APPROVED BUDGET

IMPACT ON PERMANENT POSITIONS

Public Safety has been made stronger while reducing the overall number of permanent positions.

Department	1999 Revised Budget	(Reductions)/Increases			2000 Approved Budget
		Reductions	Increases	Net Change	
Assembly	26	0	0	0	26
Equal Rights Commission	6	0	0	0	6
Internal Audit	7	0	0	0	7
Office of the Mayor	9	(1)	0	(1)	8
Municipal Attorney	64	(5)	0	(5)	59
Employee Relations	32	(1)	0	(1)	31
Municipal Manager	23	(1)	0	(1)	22
Health and Human Services	84	(3)	0	(3)	81
Fire	309	0	15 (a)	15	324
Police	529	0	15 (b)	15	544
Cultural and Recreational Services	333	(11)	2 (c)	(9)	324
Public Transportation	132	(6)	0	(6)	126
Public Works	300	(2)	0	(2)	298
Executive Manager	9	0	0	0	9
Finance	122	(8)	0	(8)	114
Management Information Systems	85	(2)	0	(2)	83
Community Planning and Development	36	0	0	0	36
Property and Facility Management	85	0	0	0	85
Purchasing	15	0	0	0	15
Total	2,206	(40)	32	(8)	2,198

(a) 15 voter approved firefighters for new fire truck

(b) 15 new police officers to be partially funded by a Federal grant

(c) 2 new Museum positions to be funded 100% by increased Museum admission fees

**2000 GENERAL GOVERNMENT OPERATING BUDGET
DEPARTMENT OPERATING BUDGETS AT A GLANCE**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	<u>Budget Reductions</u>					<u>Budget Increases</u>					
				Revenue Increases in lieu of Expenditure Decreases	Reductions Over/(Under) Directed Reductions		Voter- Approved Debt Service	Voter- Approved O&M Costs	Other	Miscellaneous Adjustments Increases/ (Decreases)	2000 Approved Budget
Department	1999 Revised Budget	Directed Reductions	2000 Base Budget			2000 Adjusted Base Budget					
Assembly	\$2,314,710	\$128,870	\$2,185,840		\$12,530	\$2,173,310			\$123,240 (a)	\$(166,450)	\$2,130,100
Equal Rights	462,860	26,810	436,050		(26,310)	462,360				(11,600)	450,760
Internal Audit	476,150	28,570	447,580		(11,770)	459,350				(9,030)	450,320
Office of the Mayor	851,940	51,120	800,820		28,020	772,800			43,000 (b)	(1,360)	814,440
Municipal Attorney	4,456,840	254,340	4,202,500		47,580	4,154,920				(94,560)	4,060,360
Employee Relations	2,947,510	142,320	2,805,190			2,805,190				75,010	2,880,200
Municipal Manager	1,587,330	93,070	1,494,260	6,000	30	1,500,230	(630)			11,190	1,510,790
Health	10,669,520	520,050	10,149,470		18,400	10,131,070	(1,750)			(182,560)	9,946,760
Fire	32,600,590	1,665,110	30,935,480	823,960	4,960	31,754,480	545,440	1,248,300	150,000 (c)	(272,480)	33,425,740
Police	47,450,720	2,726,980	44,723,740	427,500	10,370	45,140,870	27,310		137,140 (d)	598,580	45,903,900
C&RS	23,170,000	1,157,850	22,012,150	17,740	(4,120)	22,034,010	478,070		284,620 (e)	(760,340)	22,036,360
Public Transportation	9,984,450	591,470	9,392,980	52,340		9,445,320	49,180		43,000 (f)	159,240	9,696,740
Public Works	59,011,910	1,504,140	57,507,770	50,000	4,680	57,553,090	2,716,100		11,050 (g)	(274,270)	60,005,970
Executive Manager	911,950	22,130	889,820		370	889,450				(16,780)	872,670
Finance	13,313,840	474,580	12,839,260		1,990	12,837,270				31,820	12,869,090
MISD	13,450,580	494,540	12,956,040			12,956,040				313,570	13,269,610
CP&D	2,904,170	160,660	2,743,510	50,000	(110,660)	2,904,170				(189,050)	2,715,120
P&FM	20,301,460	664,710	19,636,750			19,636,750			1,006,770 (h)	70,160	20,713,680
Purchasing	1,075,040	64,500	1,010,540	31,830	(32,670)	1,075,040				(3,780)	1,071,260
Non-Departmental	10,842,280	85,540	10,756,740		1,160	10,755,580	(32,960)		581,000 (i)	(126,110)	11,177,510
Totals	\$258,783,850 - \$10,857,360*		\$247,926,490 + \$1,459,370 - \$(55,440)			\$249,441,300 + \$3,780,760 + \$1,248,300 + \$2,379,820				+ \$(848,800)	= \$256,001,380

* All departments were directed to cut 6% from their 1999 budget as a 2000 base budget. Excluded from the cuts were fixed costs such as debt service; long-term leases; the jail contract; and other obligations which cannot be reduced in the short-term. Also excluded were costs in small service areas with voter-approved mill rates (such as Limited Road Service Areas) and Building Safety and the Heritage Land Bank which are funded entirely by their own program revenues.

SEE NEXT TWO PAGES FOR DETAILS

NOTE: The following information is provided regarding the indicated columns on page 1 - 3.

BUDGET REDUCTIONS

Column 2 – Directed Reductions

The Mayor's original 1999 revised budget proposal called for a \$4.1 million reduction in 1999 property taxes on 1998 existing property. However, in mid-May 1999 the State legislature reduced State revenue sharing to Anchorage by \$6.1 million. With this State revenue sharing reduction, the property tax decrease was no longer possible. Anchorage was faced with a potential \$18 million cumulative problem for 1999 and 2000. The following actions were taken by the Mayor to mitigate the cumulative impacts of the State revenue sharing reductions on the 1999 and 2000 budgets:

- Eliminated proposed \$4.1 million property tax cut for 1999
- Required a 4% reduction in all departments' 1999 spending*
- Directed all departments to cut 6% from their 1999 budget as a 2000 base budget*

* Excluded from the cuts were fixed costs such as debt service; long-term leases; the jail contract; and other obligations which cannot be reduced in the short-term. Also excluded were costs in small service areas with voter-approved mill rates (such as Limited Road Service Areas) and Building Safety and the Heritage Land Bank which are funded entirely by their own program revenues.

The costs of 1999 one-time items were not part of the 6% reduction because 100% of the costs of 1999 one-time items were deleted from the 2000 budget --- see column 11. The reductions were based on the 1999 budget approved by the Assembly on November 24, 1998 rather than the 1999 Revised Budget since the 1999 first quarter budget revision was not approved until May 20, 1999 because of State revenues uncertainties. Some departments had budget increases in the first quarter budget revision while others had decreases; the net change was a decrease of \$302,010.

About half of the 2000 budget reductions were achieved through staffing efficiencies, department restructuring, and reductions in travel, supplies, equipment, and contracted services costs. Much of the efficiencies can be attributed to the productivity of Municipal employees, leave reductions made during the Mystrom administration, and recent computerization.

About half of the 2000 budget reductions do involve reductions in the level of service. However, care was taken to minimize impact on public priorities. There is no reduction in Police and Fire personnel and services, although some planned increases have been delayed. The 2000 budget continues the priority of the Comprehensive Plan. Although the 2000 budget of the Department of Community Planning and Development shows a reduction from the 1999 budget, the reduction is due to several large 1999 one-time items not related to the Comprehensive Plan. Where service reductions were required in other departments, they were always made in the lowest utilized programs and services or hours/days of operation.

Column 4 – Revenue Increases in Lieu of Expenditure Decrease

In several cases departments were allowed to cut their budget (direct costs in column 3) less than 6% by increasing existing fees or implementing new fees. The allowed Mayor's 2000 budget for these departments, therefore, increased by the amount of revenue increase (the revenue increase had the same effect on 2000 property taxes as would have had the expenditure decrease). In the Approved Budget, some of the revenue increases in the Fire and Police Departments were not approved; however, the departments were not required to make a corresponding budget direct costs reduction.

Column 5 – Reductions Over/(Under) Directed Reductions

After considering any allowed revenue increases in lieu of expenditure decrease in column 4, column 5 shows how much over/(under) the directed reductions in column 2 are the 2000 budget reductions actually made by the department. Actual reductions over the directed reductions further decreased the 2000 budget; actual reductions under the directed reductions increased the 2000 budget.

BUDGET INCREASES

NOTE: The budget and related property tax increases for a total of \$5.0 million of these new requirements were approved by the voters (columns 7 and 8).

Column 7 – Voter-Approved Debt Service

This is the increase in voter approved debt service (slight decrease in three departments).

Column 8 – Voter-Approved Operations and Maintenance Costs Increases

Operations (including the firefighters) and maintenance costs of additional fire trucks for Eagle River and south Anchorage for which the voters approved an increase in property taxes (and resulting budget).

Column 9 – Other

- a) Cost of anticipated run-off election due to new requirement that all candidates receive more than 50% of the vote (\$100,000), and other miscellaneous increases.
- b) Mandated compensation for Mayor-elect during transition and related transition costs.
- c) Fire Department management audit
- d) Local match for Federal grant for 15 new police officers.
- e) Two new Museum positions which will be 100% funded by an increase in Museum admission fees. Increases funded by Eagle River/Chugiak Parks and Recreation Service Area fund balance and Girdwood Valley Service Area property taxes (increases were requested by the respective Boards of Supervisors); and miscellaneous increases.
- f) Federal mandated ADA increase for AnchorRIDES system
- g) Cemetery grave markers and grave site/marker restoration (funded by burial fee revenues)
- h) New Permit and Development Center funded primarily by non-property tax revenues. The direct costs are reflected in the budget of the Department of Property and Facility Management who will then charge the various occupants of the building. Also includes \$100,000 Municipal match for a feasibility study for a new Downtown Convention Center.
- i) \$500,000 additional is budgeted to the Anchorage Convention and Visitors Bureau based on projected \$1,000,000 additional Hotel-Motel Tax revenues (at the current of 8% tax rate). \$81,000 increased contribution to the Anchorage Economic Development Corporation based on a formula to match private donations.

MISCELLANEOUS ADJUSTMENTS – INCREASES/(DECREASES)

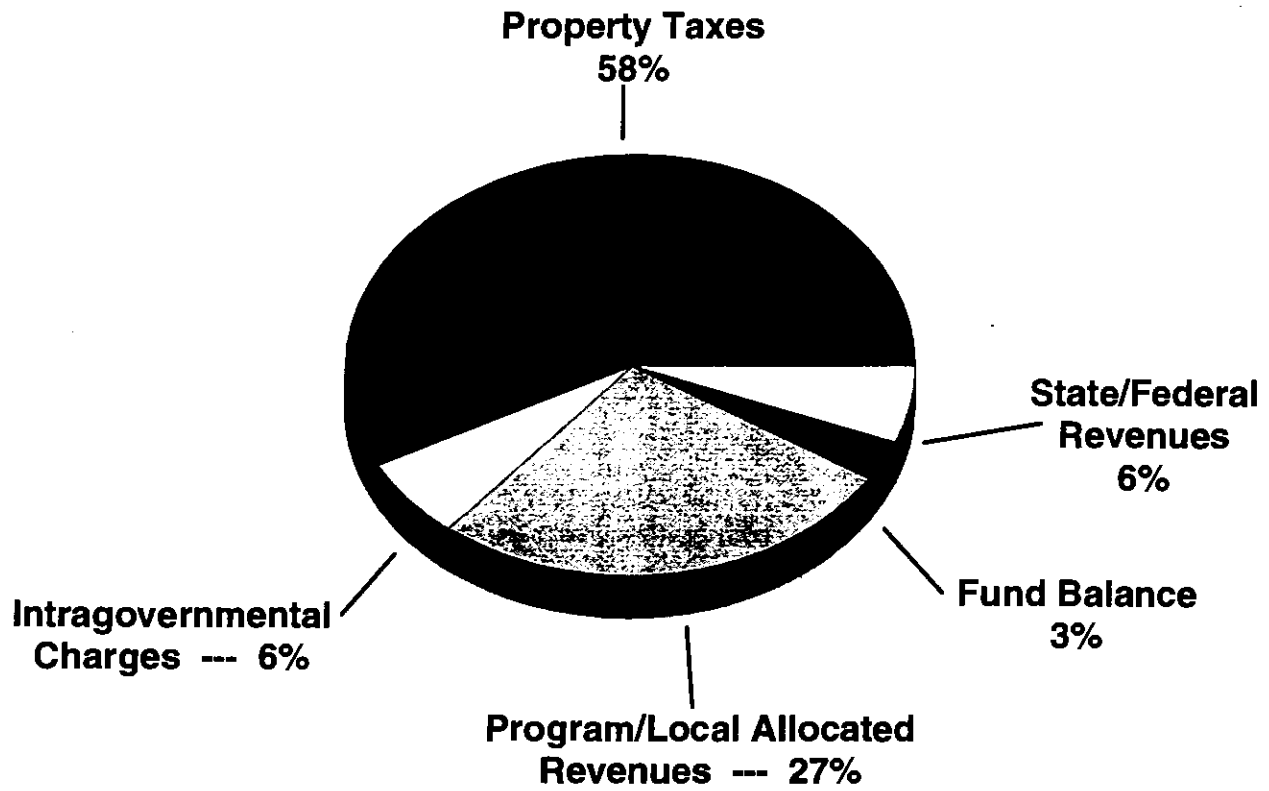
Column 10

Includes salary and benefits increases, including full Municipal funding of six partially Federal grant-funded Police officers; decreases for 1999 one-time costs; reduction in costs of Police–Fire retiree medical contribution costs based on new actuarial study; and pay-off of the loan for Sullivan Arena floor repair (the loan was actually repaid in 1999 and the Municipal ticket surcharge has been eliminated).

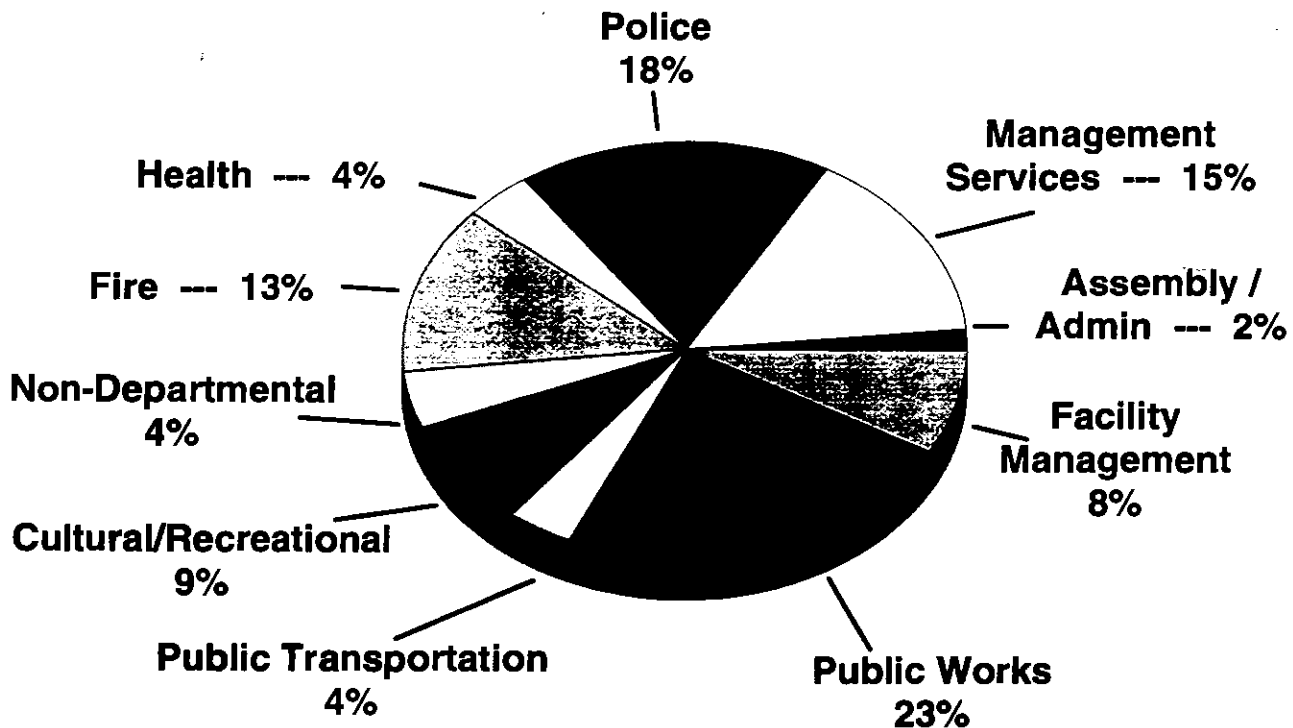
2000 APPROVED BUDGET COMPARED TO 1999 REVISED BUDGET

	1999 REVISED BUDGET	2000 APPROVED BUDGET	INCREASE/ (DECREASE)
EXPENDITURES (DIRECT COSTS)	\$ 258,783,850	\$ 256,001,380	\$ (2,782,470)
REVENUES (NON-PROPERTY TAX)			
State	\$ 14,595,250	\$ 14,323,990	\$ (271,260)
Federal	393,580	409,580	16,000
Program	26,797,630	27,967,200	1,169,570
Local Allocated	36,966,350	40,627,030	3,660,680
IGC's to Non-General Government	16,277,160	16,190,350	(86,810)
Applied Fund Balance	18,317,420	8,776,340	(9,541,080)
Total	<u>\$ 113,347,390</u>	<u>\$ 108,294,490</u>	<u>\$ (5,052,900)</u>
PROPERTY TAXES REQUIRED TO FUND BUDGET (INCLUDING PROPERTY TAXES ON NEW CONSTRUCTION)	\$ 145,436,460	\$ 147,706,890	\$ 2,270,430
PROPERTY TAX CAP	<u>148,920,905</u>	<u>156,848,450</u>	
PROPERTY TAX UNDER CAP	<u>\$ (3,484,445)</u>	<u>\$ (9,141,560)</u>	
PROPERTY TAX ON NEW CONSTRUCTION			<u>2,638,910</u>
PROPERTY TAX DECREASE ON EXISTING PROPERTY			<u>\$ (368,480)</u>

Where the Money Comes From . . .



. . . Where It Goes



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 2000.

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 in 1998 continued to drop. Over the past four years, crime in Anchorage decreased at a rate more than three times that for the rest of the country. Anchorage's crime rate during the past four years has experienced a 14% decrease in homicides, 20% decrease in rape, 56% decrease in robbery, 50% decrease in stolen autos, 39% decrease in burglary, 41% decrease in assaults, and a 35% decrease in theft during the last four 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 showing 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 of 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 2000 budget will provide the Municipal local match funding for a federal grant for 15 new police officers for which the Municipality has applied and anticipates to receive.

With this addition of the 15 officers, at full strength we will have 370 sworn officers compared to 248 sworn officers actually on board in November 1994.

Our fire and emergency medical response capabilities are increased in the 2000 budget. The fully integrated fire and medical services have improved emergency response times, even as the number of emergency calls continues to increase due to population increases. In 2000, 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**

Our biggest challenge during recent years has been trying to keep taxes down in the wake of decreasing State revenues.

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.

The sale of the Anchorage Telephone Utility successfully closed in May 1999. The net proceeds of the sale were invested in the Municipality of Anchorage Trust Fund. We will invest other monies in the Trust when they become available. Earnings from the Trust will be used in the operating budget to reduce property taxes.

As a result of our stable financial outlook, strong financial performance, and excellent cash management, national bond rating agencies give Anchorage a strong rating.

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 completing a feasibility study for the development of the proposed Alaska Salmon Research and Fisheries Support Centers in the Ship Creek area. The facilities will be a working salmon research center and function 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. As part of this restructuring, a new one-stop Permit and Development Center to provide a more efficient permitting process is currently under construction and is scheduled for opening in early 2000.

The expansion of tourism and the convention industry will have a very positive impact on our economy. We will work to ensure Anchorage grows as a popular tourist and convention 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 new 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 efforts to improve the efficiencies of the People Mover system. We also expect to continue efficiency improvements in the AnchorRIDES service for seniors and persons with disabilities as computerized scheduling and dispatching are implemented.

- **Community Planning**

The Comprehensive Plan – *Anchorage 2020* is scheduled for completion of the public hearing draft in late 1999. The Assembly will hold its public meetings and hearing during early 2000 as the culmination of the public involvement process. The plan will outline the goals and objectives; assess current conditions and trends; evaluate alternative plan scenarios; and select a preferred plan scenario. In September 1999, the Department of Community Planning and Development sponsored several open houses and citizen work groups for public review and discussion of the different plan scenarios to aid in the preparation of the draft plan. The services of a fiscal analysis consultant were retained to prepare a fiscal impact analysis of the four plan scenarios. This technical study will evaluate the costs and revenues to the Municipality for different land uses and for each plan scenario. *Anchorage 2020* is the principal focus of the department and will provide the foundation for the community's vision of the future including Anchorage's emergence as a premiere northern city.

In 2000 the Department of Community Planning and Development will begin to place more emphasis on implementing some of the Comprehensive Plan – *Anchorage 2020* recommendations for land use, transportation, design, and environment, public improvements and services.

In addition to the Comprehensive Plan, the Department of Community Planning and Development will be working on several other time critical issues including the Girdwood zoning regulations, the Girdwood Transportation Plan, and the revision of Anchorage's sign ordinances. We will continue to efficiently operate the regulatory side of the office in responding to rezoning, conditional use, variance, and platting applications, and wetland permits.

- **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 rights-of-way/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 junk car removal and Graffiti Busters continue to make our city more attractive and a better place in which to live or visit.