

BUDGET OVERVIEW

Overview

2002 General Government Operating Budget

A primary goal in developing the 2002 General Government Operating Budget is securing the Municipality's long-term fiscal future. As reflected in this proposed budget, the two objectives important to achieving this primary goal are:

- Attaining a spending level that can be supported by future recurring revenues;
- Providing citizens information by which they can evaluate the value of public dollars being spent.

Steps to Achieve Budget Stability

For 2001, more than 95 percent of the Municipality's revenues were categorized as "recurring." This means these revenues were likely to be received each year. However, the reliable availability of the other 5 percent is significantly less certain. This category of revenue is called "applied fund balance." This is the portion of funds unspent at the end of one year that is available to be used to pay the following year's spending.

The majority of the revenue to support the general government budget comes from property taxes (56% in 2001). The annual increase in the amount of all taxes¹ (not just property taxes) is limited by a charter amendment approved by voters in 1983. This provision limits the amount that taxes can increase² from one year to the next. While the result of this limit is much more predictability in the amount of tax revenue that can be collected each year, the limit also plays a significant role in controlling the amount of revenue that is available to support increased annual spending.

During the last ten years, the amount of fund balance applied each year has fluctuated widely, from a low of \$5.7 million in 1995 to a high of \$20.2 million in 2000. For 2001, Municipal spending relied on \$11 million in fund balance. For 2002, the Approved Budget relies on \$3.9 million³ in fund balance from the five major funds to support general government operating budget spending. This includes spending nearly \$1 million of a \$2.4 million one-time settlement with the Bank of America.

While this fund balance amount may seem small, the fact is that it props up spending to a level that cannot be reliably sustained by recurring revenues. This is a troublesome practice that routinely requires spending reductions in the fall, when the initial budget is proposed and approved, followed by spending increases in the spring, when the available fund balance is formally determined.

¹ In addition to property taxes, the Municipality collects the following taxes that are subject to the Tax Limit: Auto Tax, Aircraft Tax, Tobacco Tax, and Motor Vehicle Rental Tax. The Municipality also collects a Hotel/Motel Bed Tax that is not subject to the Tax Limit.

² Growth permitted under the tax limit comes from inflation, population increase, additional taxes collected from new construction, and taxes required to pay debt service on voter-approved bonds.

³ The 2002 approved budget includes an additional \$2 million from the Equipment Maintenance Fund (Fund 601).

2002 Revenues

Lower interest earnings contributed to a \$4 million drop in expected revenues when compared to 2001. To help make up for this and less available fund balance, the Assembly approved a number of fee and fine changes that will increase recurring, non-tax revenues. The additional revenue as a result of these changes, which better align cost-causer and cost-payer, will enable many departments to maintain the current level of service in 2002.

2002 Spending

While the health of Alaska's economy enriches the lives of many working Alaskans, it has also made it difficult for the Municipality to maintain its competitiveness in the work place. To hire and retain qualified employees it is necessary for the Municipality to shift resources. To this end, salary and benefit cost increases were a major spending pressure on the 2002 operating budget:

- Medical and dental benefit costs for employees increased 23 percent above the 2001 budgeted amount;
- Anchorage Police and Fire will receive a negotiated 2.9 percent salary increase in 2002; and
- Anchorage Municipal Employees Association and non-represented employees will receive a 2.5 percent increase in 2002, which combines with a 4.0 percent increase received in the final quarter of 2001.

The result of these spending pressures coupled with less fund balance meant that spending reductions were required in other areas in order to cover these increased costs. But even with these changes, no employee will lose his or her job as a result of the 2002 approved budget.

The Bottom Line When Compared to 2001 Revised Budget

Spending

Overall, it increases:	+\$3.6 million
Of which:	
Department programs/services:	+\$196,600
Voter-approved debt service:	+\$3.4 million

Revenues

Property tax revenues (taxes to the cap):	+\$4.9 million
Non-property tax revenue:	+\$3.5 million
Fund balance applied:	-\$4.9 million

Investing for Results: Getting Value for Tax Dollars Spent

New for the 2002 operating budget is a strategic framework for each department. This is the first phase of a results-based performance evaluation program entitled "Investing for Results!" The goal of the program is to inform citizens about the value, or results, delivered from spending their tax dollars. The overall framework:

- Describes why a program exists (its mission/purpose);
- Identifies the program's goals;
- Outlines the steps being taken to achieve the goals (objectives); and
- Specifies the measures being used to track progress in achieving the goals.

This framework is important because it aligns what a program does with why it exists. Too often government programs experience “mission creep” in which they do what they have always done merely because they have always done it.

A strategic framework provides a “reality check” to ensure that a program's purpose is relevant and then tracks progress in how effective that program is in achieving the intended results.

The framework also includes two types of measures to evaluate how well a program is achieving the desired results:

- Effectiveness measures (progress in attaining a goal);
- Efficiency measure (cost associated with attaining that result).

These frameworks and measures are the first steps in a two-way dialogue with Anchorage citizens about whether the city is doing the right things and how well it is doing them. **“Investing for Results” is about Municipal government being accountable to its investors—the taxpayers—and ensuring they are getting a solid return on the investment of their tax dollars.**

Anchorage residents are invited to comment on each program's framework and measures via the Municipality's web site at www.muni.org. The handbook and workbook that guided departments through this process, as well as the entire general government operating budget, are available via OMB's home page on the Municipality's web site at (www.muni.org/omb/ombhomepage.cfm).

**2002 PROPOSED BUDGET
COMPARED TO 2001 REVISED**

	2001 REVISED BUDGET	2002 PROPOSED BUDGET	2002 Proposed Budget Compared to 2001 Revised Budget
EXPENDITURES			
Departments (Direct Costs)	\$ 232,303,820	\$ 229,684,270	\$ (2,619,550)
Voter-Approved Debt Service	34,559,580	37,965,160	3,405,580
Total	\$ 266,863,400	\$ 267,649,430	\$ 786,030
REVENUES			
Non-Property Taxes:			
State	\$ 11,733,490	\$ 12,181,140	\$ 447,650
Federal	358,130	\$ 486,570	128,440
Program	30,667,050	35,868,670	5,201,620
Taxes, Interest, Other	48,714,180	45,196,780	(3,517,400)
IGC's to Non-General Government (estimate)	16,242,300	16,470,360	228,060
Applied Fund Balance	10,875,990	4,230,990	(6,645,000)
Total	\$ 118,591,140	\$ 114,434,510	\$ (4,156,630)
 PROPERTY TAXES	 \$ 148,272,260	 \$ 153,214,920	 \$ 4,942,660

**2002 General Government Operating Budget
DEPARTMENT OPERATING BUDGETS AT A GLANCE**

Department	2001 Approved Budget	1st Quarter Amend- ments	2001 Revised Budget at 1st Qtr	Additional Budget Amendmts (2)	One Time/Non- Recurring	Transfers To/From Dept (1)	Salary Cost Changes	Debt Service Increases/ [Decreases]	Misc. Increases/ [Decreases]	First Quarter Revisions	Budget Changes	Proposed 2002 Budget Total	Approved 2002 Budget Total	Debt Service 2002
Assembly	2,121,360	45,460	2,166,820	146,226	(158,223)	0	40,987	0	(116,830)	36,500	(116,830)	2,078,980	2,033,980	
Cultural & Rec Services	19,801,210	694,000	20,495,210	24,700	(130,000)	79,980	1,147,030	470,830	(1,534,470)	274,100	(1,449,500)	20,553,280	20,967,160	3,205,060
Development Services	6,478,390	50,780	6,529,170	350,000	(350,000)	654,300	412,120	0	(204,140)		(204,140)	7,391,450	7,726,540	
Employee Relations	2,706,460	285,100	2,991,560	0	(5,000)	73,800	97,740		103,690	(91,830)	(132,200)	3,261,790	3,261,790	
Equal Rights	454,860	(60)	454,800	9,500	(9,500)	0	35,040	0	(35,960)		(35,960)	453,880	453,880	
Facility Management	20,530,130	838,230	21,368,360	0	(59,000)	(4,790,020)	137,370	0	(1,009,510)		(874,300)	15,647,200	15,729,400	
Finance	11,903,990	810,370	12,714,360	603,000	(1,163,000)	(51,800)	511,400	0	958,400	154,290	0	13,572,360	13,136,640	
Fire	37,461,560	1,572,560	39,034,120	108,950	(225,950)	0	4,191,020	459,620	(3,544,670)	947,810	(3,646,400)	40,023,090	40,801,770	2,281,400
Health & Human Services	9,871,250	371,800	10,243,050	77,640	(327,640)	1,402,160	325,930	(28,270)	(564,670)	229,140	(565,030)	11,128,200	11,558,310	1,577,340
Information Technology	13,036,390	170,700	13,207,090	0	0	64,940	469,510	0	(852,860)		(951,650)	12,888,680	12,888,680	81,600
Internal Audit	321,440	0	321,440	0	0	0	15,960	0	(6,400)		(6,400)	331,000	331,000	
Mayor	842,250	(90)	842,160	0	0	10,114,320	116,870	6,120	(154,650)		(654,650)	10,924,820	10,823,090	361,710
Municipal Attorney	3,648,830	122,750	3,771,580	50,000	0	0	320,470	0	(80,590)	(119,770)	(80,590)	4,061,460	3,886,460	
Municipal Manager	1,881,170	27,320	1,908,490	0	0	(1,908,490)	0	0	0		0	0	0	
Non-Departmental	9,561,790	340,000	9,901,790	2,089,300	(2,309,300)	(9,681,790)	0	0	0		0	0	0	
Planning	2,606,110	449,670	3,055,780	0	(200,000)	(351,760)	149,690	0	(221,360)		(221,360)	2,432,350	2,432,350	
Planning, Dev & Public Wks	28,046,400	104,780	28,151,180	177,640	(177,640)	(27,498,980)	26,030	3,320	(19,550)		(19,550)	662,000	662,000	107,920
Police	45,453,100	34,670	45,487,770	35,530	(75,530)	0	1,722,120	(800)	(2,470,640)	94,000	(2,345,050)	44,698,450	45,843,480	235,510
Project Mgmt & Engineering	4,640,220	(540)	4,639,680	0	0	160,070	267,250	0	0		0	5,067,000	5,067,000	
Public Transportation	9,724,800	932,930	10,657,730	0	0	0	616,480	174,410	(404,480)	89,460	(387,940)	11,044,140	11,418,330	300,930
Purchasing	954,360	195,220	1,149,580	0	(5,000)	0	100,320	0	(95,320)		(95,320)	1,149,580	1,149,580	
Real Estate	745,980	(70)	745,910	182,380	(182,380)	4,536,830	32,780	0	(229,760)		(19,220)	5,085,760	5,085,760	
Street Maintenance	21,393,090	1,437,180	22,830,270	0	(924,000)	26,788,250	345,940	2,524,740	(885,080)	176,690	(887,730)	50,680,120	50,710,120	29,910,850
Traffic	4,196,010	(510)	4,195,500	0	0	408,190	222,450	0	(312,300)		(312,300)	4,513,840	4,513,840	
Total	258,381,150	8,482,250	266,863,400	3,854,866	(6,302,163)	0	11,304,507	3,609,970	(11,681,150)	1,790,390	(13,006,120)	267,649,430	270,481,160	38,062,320

(1) Transfers To/From Department: The 2002 budget reflects transfers between departments to better align programs to achieve efficiencies and savings. Programmatic transfers between departments include:

- **Cultural & Recreational Services:** Two architect positions transferred to Project Management & Engineering.
- **Facility Management:** Leases transferred to Real Estate. Golf Course Operation Contribution transferred to Cultural & Recreational Services. Fleet Administrator transferred to Information Technology. Miscellaneous transfers to Cultural & Recreational Services: PAC insurance; Egan Center insurance; Contracted Facilities (IGC's only); Sullivan Arena insurance, rentals, etc.
- **Finance:** Foreclosure costs transferred to Real Estate.
- **Municipal Manager:** Budget transferred to the Office of the Mayor.
- **Planning:** Transportation Planning transferred to Traffic Department.
- **Non-Departmental:** Transferred to the Office of the Mayor. Employee Relations and Health & Human Services. See respective department reconciliations for details.

2002 Approved General Government Operating Budget

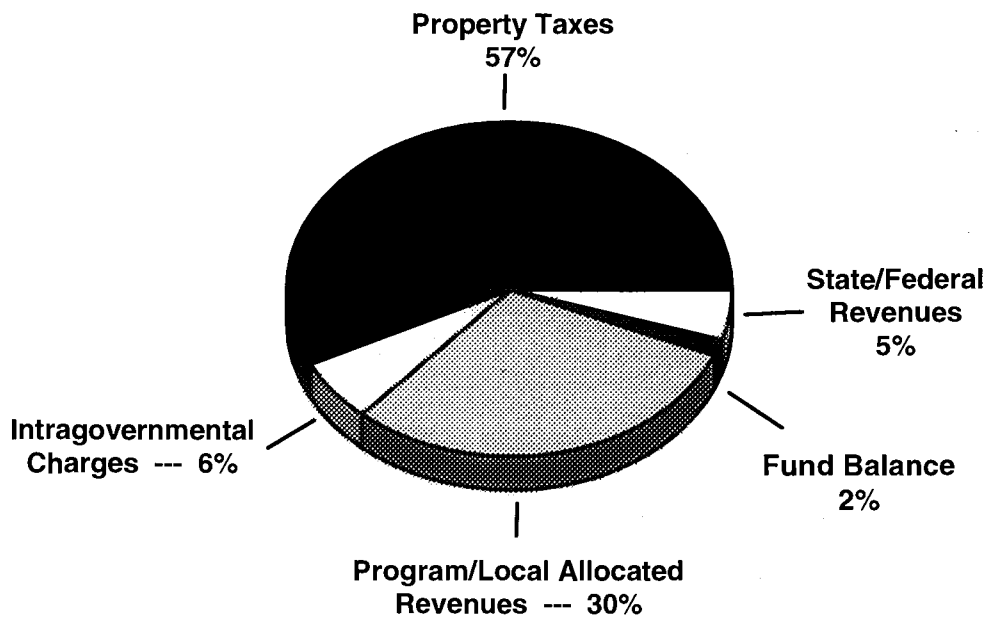
PERSONNEL SUMMARY

Department	2001 Revised Budget				2002 Approved Budget				Net Change in Positions
	FT	PT	Temp	Total	FT	PT	Temp	Total	Total
Assembly	26	0	0	26	24	0	0	24	(2)
Cultural and Recreational Services	169	128	145	442	162	118	124	404	(38)
Development Services	88	3	1	92	99	5	2	106	14
Employee Relations	27	1	0	28	27	1	0	28	0
Equal Rights Commission	6	0	0	6	6	0	0	6	0
Facility Management	80	1	7	88	79	1	5	85	(3)
Finance	104	2	0	106	106	0	0	106	0
Fire	382	1	0	383	381	1	0	382	(1)
Health and Human Services	64	11	1	76	63	11	1	75	(1)
Information Technology	80	1	0	81	80	0	0	80	(1)
Internal Audit	4	1	0	5	4	1	0	5	0
Mayor *	9	0	0	9	27	3	0	30	21
Municipal Attorney	53	0	0	53	52	0	0	52	(1)
Municipal Manager *	19	3	0	22	0	0	0	0	(22)
Planning **	32	1	2	35	27	1	0	28	(7)
Planning, Development & Public Works	6	0	0	6	4	0	0	4	(2)
Police	518	0	0	518	518	0	0	518	0
Project Management & Engineering	50	0	4	54	52	0	4	56	2
Public Transportation	120	16	0	136	136	0	0	136	0
Purchasing	15	0	0	15	14	0	0	14	(1)
Real Estate	6	1	0	7	6	1	0	7	0
Street Maintenance	134	8	43	185	127	6	26	159	(26)
Traffic **	44	1	6	51	50	0	0	50	(1)
Total	2,036	179	209	2,424	2,044	149	162	2,355	(69)

* The Municipal Manager's Department has been incorporated into the Mayor's Department.

** The Transportation Planning Division, in Planning Department, has been transferred to Traffic Department.

WHERE THE MONEY COMES FROM . . .



. . . WHERE IT GOES

