

BUDGET OVERVIEW

Overview of the 2004 Approved General Government Operating Budget

Each year, the Municipality strives to provide services to the community within the fiscal limitations of the Citizen's Tax Cap. Generally, the funding for government provided services is designed to grow at a rate commensurate with the growth of the city, as measured by our tax cap. For Fiscal Year 2004, however, Municipal Government needs to adjust to several significant new impacts to revenues and expenses that resulted in an initial \$33M fiscal gap. Some of these impacts are permanent changes, such as discontinuation of State Revenue Sharing funding (\$10.4M). Other changes may be one-time problems, but we cannot be sure. For example, the Municipality is required to fund the Police and Fire Retirement Fund when investment return shortfalls occur. This year will be the first year in the last ten years that a contribution will be necessary (\$3.8M), due to poor stock and bond market returns. An actuarial review will occur in the spring to determine if additional funding will be required in 2005. Another example involves market returns received on short-term cash balances. The returns have been at the lowest rates earned in the past forty-five years, applied against cash balances that are lower than in past years, due to previous Administration's reliance on one-time fund balance monies (\$3.8M shortfall). Will rates of return improve in future years? No one knows for sure.

As a result, the Municipality has adapted to these changed conditions. This budget accomplishes the following three actions:

- (1) Closes the projected 2004 fiscal gap and balances the budget.
- (2) Delivers core services.
- (3) Keeps the Municipality's economy healthy.

In addition, it is our goal to reduce or eliminate reliance on one-time monies to apply toward long-term problems. Our goal is to use one-time revenue streams to solve one-time cost issues, or to permanently reduce long-term recurring costs. In this way, we can "right-size" our budget to a level of service that is sustainable long-term within our tax cap.

Our efforts have accomplished the goals in this budget using a number of approaches. They include:

- (1) Providing similar or improved service for less cost to taxpayers.
- (2) Reducing the Municipal-wide cost of doing business.
- (3) Increasing fees and fines to levels that cover the costs of providing certain services.
- (4) Reducing non-core services.

In addition, Limited Road Service Areas (LRSAs) with voter-approved tax levy maximums have been removed from within the Municipal Tax Limitation. This allows the taxpayers within these areas to increase their property taxes to their voter-approved maximum, allowing for self-determination of certain road-related services levels.

Providing similar or improved services for less cost to taxpayers

During 2004, many increases in service will be implemented. The Municipality is actively recruiting Police Officers. This budget authorizes the hiring of fifteen employees in the Police Department above current staffing levels to improve safety on our highways and address sexual assault and child abuse issues in our Municipality. Two new Fire Stations will open this year to provide more rapid response to Fire and Emergency Medical response needs in the community. The Assessments Group, Treasury, and Development Services teams should be able to better serve citizen's needs this year. Reducing costs in the delivery of services is a much better approach than actually eliminating the service. If one can find ways of performing a service more efficiently, costs are reduced to taxpayers, and the community does not have to absorb the loss of Municipal support.

A number of initiatives are underway to achieve this desired result. Departmental restructuring has begun in numerous departments with the goal of reducing costs / increasing net revenues. For instance, the Municipal Library system reduced its direct cost budget versus 2003 by \$450k. The Community will suffer no closed library branches, will maintain its circulation levels, and will be open similar hours to those during 2003 (open one hour less on Sundays). This has been accomplished by comparing the size and mix of staff to those of other cities our size, with similar numbers of library branches. By determining the value to the community of certain types of costs, we are achieving cost reduction with negligible service reduction.

The Treasury Department added a few staff members and the services of a collection agency to its ranks. This group has not had enough staff to ensure that collections occur. As a result, unpaid fines and fees for over 21,000 people added up to \$20 Million through 2003, shifting the tax burden and service reduction issues toward other citizens who behave more responsibly. By opening a web site, adding collections staff, and adding the services of a collection agency, the Municipality expects to collect some of these fines and mitigate the problem in the future.

A similar effort is occurring in the Assessor's Office. By adding a few staff members, the Municipality expects to be able to appraise annually many more properties than it does today. If newly improved properties are appraised correctly, the tax base increases with no corresponding impact to other properties. This will preserve services each year, because a broader spectrum of businesses and homeowners will be paying the proper amounts of tax.

Employee Relations is in the process of lowering its costs while also upgrading its service delivery based upon technology improvements. For example, instead of re-inputting new employee data received after initial orientations are complete from employee's handwritten forms, it is more efficient to have new employees type in their own data. Benefit election changes could be revised by employees using on-line means. Calculations of deferred income matches are now being calculated electronically.

Employee applications are in the process of being put on-line, so that prospective employees can review open positions and apply from their own homes.

Parks and Recreation is in the process of improving its service delivery through reorganization. As a result, better service in local neighborhoods should occur, as costs are reduced.

Reducing the Municipal-wide cost of doing business

Many similar elements of cost occur across multiple departments. For instance, employees fill out timesheets to record their time. Health insurance benefits are received by employees. Data input employees often have similar difficulties with computer input processes. Most departments procure supplies and other products to perform their assigned tasks. These items need to be evaluated to determine if efficiencies can be implemented.

Currently, Municipal employees fill out manual timesheets which are input into the computer by clerks. As a result, some level of data input is required by about forty employees to enter time and attendance data into the computer. This is inefficient and costly. By utilizing an electronic timecard, where employees fill out their timesheets into the computer instead of on paper timesheets, this process can be streamlined.

The Municipality has five active healthcare plans. Specialists have advised us that by reducing the number of programs to one or two, while providing the same healthcare benefits, costs will drop. This is because there would be more employees in the same plan. Our goal will be to resolve this inefficiency this year.

The Municipality has tremendous computer systems, but the interface between inputting data, and pulling data out of the computer, is less productive than it could be. Assessments of departments needing large staffs of clerical support will be evaluated for process improvement efforts this year.

The cost of basic materials, supplies, and products that are procured by the Municipality is too high. By projecting our long-term needs, and modifying our procurement approach, the Municipality may be able to reduce these costs.

These and many other improvement projects are planned for evaluation and / or implementation during 2004. The Municipality is committed to providing service at the lowest possible cost to taxpayers.

Increasing fees and fines to levels that cover the costs of providing certain services

Fees are necessary to ensure that citizens who use certain services pay for the use of that service. Otherwise, taxpayers would pay for services that they do not use. In the current fiscal environment, discontinuing these fees would mean a large reduction in other types of core government services.

Fees and fines in several departments have been less than those charged in other cities our size. Also, full-cost recovery for these services is being sought, to ensure that taxpayers are not forced to subsidize these services. Examples are fees for parks and recreation usage, zoning and platting services, and development activities. Also, individuals who do not pay their city bills will experience higher late fees to cover the increased costs of administration. We have determined that our parking fines are significantly below those charged in similarly sized cities.

Reducing non-core services

Ultimately, when revenues are not sufficient to offset costs, services must be cut. Many departments will experience reductions in services this year. These reductions will generally be small changes, such as slightly longer waits in lines and slower response times to citizen's requests. There will be some more significant service reductions including taking the Fire Department's Heavy Rescue unit out of service, closure of Recreation Centers by one day per week and the Museum by one additional day per week in winter, and reduction of some traffic services such as signage, signal timing and traffic calming efforts.

Allowing budgets of limited road service areas with voter -approved tax levy maximums to increase to the voter-approved maximum without impacting the Tax Cap

In the past, the taxing authority required to fund the Limited Road Service Areas (LRSA), including Chugiak Birchwood Eagle River Rural Roads Service Area (CBERRRSA), has been calculated within the Municipal-wide tax limitation. Under that practice, they were forced to share in Municipal belt-tightening efforts, even if their residents were willing to pay higher taxes (up to a taxpayer-approved maximum mill levy for their road maintenance services). By allowing the LRSAs and CBERRRSA tax requirements to be outside the tax limitation, the budgets for those road maintenance service areas can be increased to the levels requested by the residents without requiring an offsetting reduction in services elsewhere. The 2004 approved budget, as revised on December 16, 2003, has accomplished this. The LRSA and CBERRRSA budgets are now presented at the level estimated to be supported by the maximum mill rate for each service area.