

BUDGET OVERVIEW

MAYOR'S BUDGET PRIORITIES

Improving Public Safety

Police officers on the streets — The administration is committed to putting more police officers on the streets so Anchorage residents can feel safe in their homes and neighborhoods. Since January, nine new officers have been added, and another 24 began academy training in August.

Crack down on sexual assault — The Assembly approved a request for \$500,000 for a new, specialized unit to focus on interrupting the cycle of sexual assault. We've also added prosecutors and secured \$2 million in federal funds to combat this terrible crime. Anchorage streets are also safer, thanks to the re-introduction of a traffic unit, which will continue in 2005.

Better fire protection — Fire protection has also been strengthened with the opening of two new stations, getting voter approval for a third, and training 24 new fire recruits.

New police officers, firefighters — The 2005 budget will continue with increased funding for public safety – the proposed budget includes funding for 28 additional sworn police officers, as well as commitments for continued annual increases in police staffing, and 25 additional firefighters.

Relieving Traffic Congestion

Moving people and vehicles — When it comes to transportation, relieving Anchorage's traffic congestion is Goal Number One. In 2004, 41 road and safety projects were on the streets, totaling about \$45 million. But congestion will only get worse until some of our major intersections are addressed, such as Lake Otis and Tudor, 5th and 6th Avenues, New Seward and Glenn Highway interchanges. The administration worked with the Assembly to successfully convince the State House to fund the \$9 million in Lake Otis and Tudor changes Anchorage needs. In 2005, we will go back to the Legislature and state administration, and to our congressional delegation, for Anchorage's fair share of state and federal transportation dollars.

Encouraging Economic Development

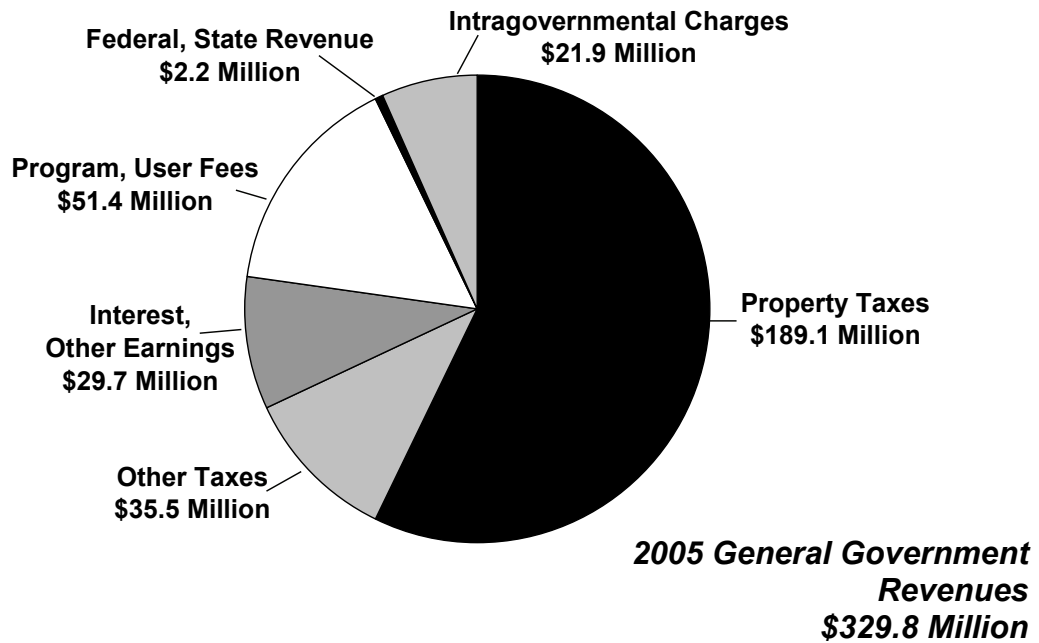
Keep economy healthy — Anchorage's continued prosperity is directly tied to a growing economy. Our city is enjoying its 16th consecutive year of economic growth and a growing number of national publications tout Anchorage as a top place to live and do business. In 2005 the administration will continue economic development projects ranging from a new civic and convention center to expanded year-round recreational opportunities in Girdwood and Eagle River downtown revitalization.

Providing Tax Relief to Taxpayers

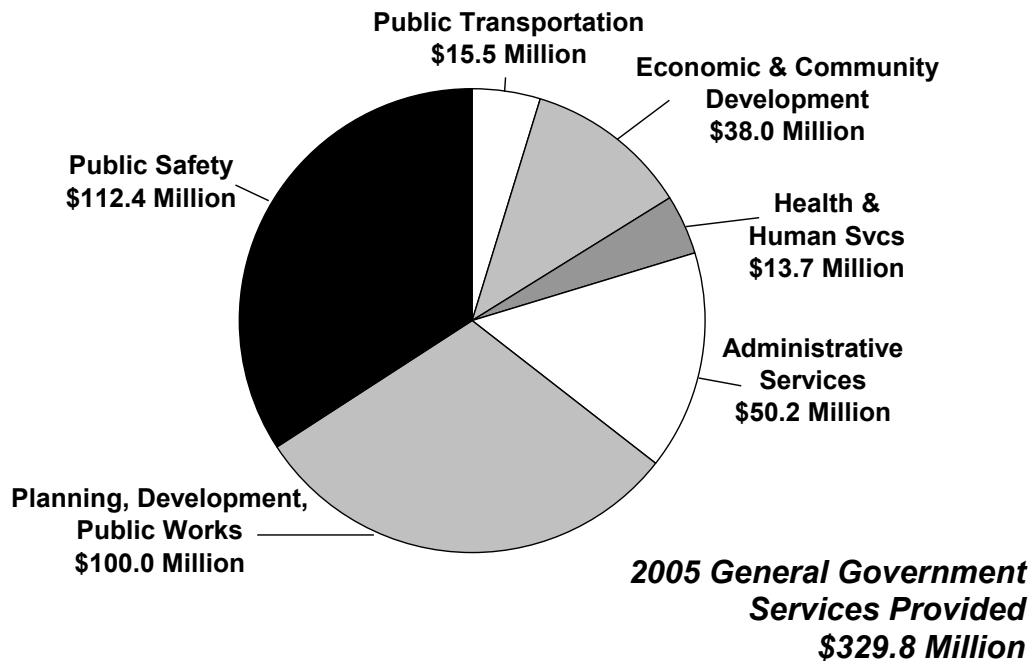
Lessen burden on property taxpayers — In an effort to make Anchorage's tax system more fair and provide tax relief to over-burdened residential property taxpayers, the administration during 2004 proposed a four-part plan to reform Anchorage's tax system.

The plan includes:

- A \$1 increase in the city's tax on cigarettes. This was approved by the Anchorage Assembly, and took effect on October 1, 2004. The increase should generate a projected \$8.9 million, and because the revenues will be below Anchorage's tax cap, will offset property taxes.
- A property tax exemption on the first \$20,000 of residential property, which is proposed to be on the ballot for the April municipal election;
- An exemption on the first \$20,000 of the business personal property tax, which was approved by the Assembly on December 14, 2004; and
- Fair assessing of private businesses which hold leases on government-owned property, which will be implemented by the administration in 2004, effective for 2005 tax assessments.



. . . WHERE THE MONEY GOES



2005 APPROVED GENERAL GOVERNMENT OPERATING BUDGET AT A GLANCE

Category	2004 Revised Budget	Wages and Benefits Changes for Continuing Personnel	Changes for Voter-Approved Debt Service and Related Operations & Maintenance	Other Changes in Continuing Programs *	Continuation Budget, 2005
Public Safety	\$ 107,792,870	\$ 4,869,070	\$ 702,430	\$ (2,008,210)	\$ 111,356,160
Public Transportation	14,626,370	740,180	(10,950)	1,180	15,356,780
Health & Human Services	13,211,890	441,750	42,990	101,160	13,797,790
Economic and Community Development	36,076,690	837,260	(116,940)	279,840	37,076,850
Planning, Development & Public Works	95,945,590	1,802,910	1,715,110	(748,310)	98,715,300
Administrative Services	41,664,280	1,939,500	87,280	6,552,440	50,243,500
Total General Government	<u>\$309,317,690</u>	<u>\$10,630,670</u>	<u>\$2,419,920</u>	<u>\$4,178,100</u>	<u>\$326,546,380</u>

Table
Continued
below

Category	Continuation Budget, 2005	2005 Programmatic Changes	Increases for Operations & Maintenance on Voter-Approved Capital Proj	Cost Savings in Procurement and Health Care	2005 Approved Budget
Public Safety	\$ 111,356,160	\$ 2,488,820	\$ 903,470	\$ (2,404,010)	\$ 112,344,440
Public Transportation	15,356,780	447,930	-	(313,330)	15,491,380
Health & Human Services	13,797,790	146,560	-	(207,390)	13,736,960
Economic and Community Development	37,076,850	1,557,690	-	(598,060)	38,036,480
Planning, Development & Public Works	98,715,300	2,593,620	-	(1,294,440)	100,014,480
Administrative Services	50,243,500	762,990	-	(822,750)	50,183,740
Total General Government	<u>\$326,546,380</u>	<u>\$7,997,610</u>	<u>\$903,470</u>	<u>\$(5,639,980)</u>	<u>\$329,807,480</u>

* Changes to get to the 2005 Continuation Budget include various reorganizations moving divisions or activities from one department to another during 2004.

** The \$10.6 million increase in personnel costs include:

- \$4.4 million from wages, a
- \$4.4 million increased medical costs,
- \$3.4 million increase from PERS and other retirement plans costs, and
- \$1.6 million decrease from other benefits.

The decrease in other benefits is primarily a reduction in leave accrual budgeted for the Fire Department.

Departments listed within the table at the left:

Public Safety

- Fire Department
- Police Department

Public Transportation

- Public Transportation

Health & Human Services

- Health & Human Services Department

Planning, Development & Public Works

- Development Services
- Maintenance & Operations
- Planning
- Project Management & Engineering
- Traffic

Economic & Community Development

- Anchorage Parks & Recreation
- Economic & Community Development
- Real Estate/Heritage Land Bank

Administrative Services

- | | |
|--------------------------|---------------------------------|
| • Assembly | • Internal Audit |
| • Chief Fiscal Officer | • Mayor |
| • Employee Relations | • Office of Management & Budget |
| • Equal Opportunity | • Municipal Attorney |
| • Equal Rights | • Municipal Manager |
| • Finance | • Purchasing |
| • Information Technology | |

Highlights of 2005 Program Changes

Public Safety

28 new sworn police officers
25 new firefighters

Public Transportation

Route expansion (funded by federal grant)
Increased fuel costs

Economic and Community Development

Library - technology improvements and more hours at branches
Revenue bond payment - Performing Arts Center roof (funded by ticket surcharge)
Reorganization of Parks & Rec, establish P&R Foundation, develop parks long range plan
Additional Heritage Land Bank staff to manage Municipal property

Planning, Development & Public Works

Maintenance & Ops - fuel, utilities, contract management increases, increased sidewalk maintenance, adjustment for road service areas for voter approved increases
Increase staff to monitor watershed program
Technology improvements in E911 system, on-line citizen gateway
Develop Central Business District, Midtown, Eagle River plans
Begin Government Hill and Hillside plans
Improve Traffic Calming program

Administrative Services

Business process improvements
Restore Community Councils support

Procurement & Health Care Cost Savings

The Municipality is committed to reducing operating costs through the use of the Cooperative Services Authority and has accordingly reduced each department's budget by a proportional amount totalling to \$3 million for 2005.

In addition, the Municipality believes significant cost savings can be achieved in employee health care plans modification and has accordingly reduced each department's budget by a proportional amount totaling \$2.5 million for 2005.

PERSONNEL CHANGES 2004-2005

Department	2004 Authorized at Continuation Level				2005 Approved Budget				Net Change in Positions
	FT	PT	Temp	Total	FT	PT	Temp	Total	Total
Assembly	27	-	-	27	27	-	-	27	0
Chief Fiscal Officer	2	-	-	2	2	-	-	2	0
Development Services	84	2	2	88	84	2	2	88	0
Economic and Community Development	97	46	22	165	100	47	27	174	9
Employee Relations	19	4	-	23	19	4	-	23	0
Office-Equal Opportunity	3	-	-	3	3	1	-	4	1
Equal Rights Commission	5	2	-	7	5	2	-	7	0
Finance	123	-	-	123	123	-	-	123	0
Fire	365	-	-	365	391	-	-	391	26
Health and Human Services	71	15	-	86	72	15	-	87	1
Information Technology	69	-	-	69	69	-	-	69	0
Internal Audit	4	1	-	5	4	1	-	5	0
Maintenance and Operations	208	6	28	242	208	6	28	242	0
Management and Budget	9	-	-	9	9	-	-	9	0
Mayor	11	-	2	13	11	-	2	13	0
Municipal Attorney	55	-	-	55	55	-	-	55	0
Municipal Manager	14	3	-	17	14	3	-	17	0
Anchorage Parks and Recreation	41	60	85	186	60	49	87	196	10
Planning	48	-	-	48	51	1	-	52	4
Police	507	1	-	508	535	1	-	536	28
Project Management & Engineering	57	-	2	59	58	-	3	61	2
Public Transportation	149	-	-	149	155	-	-	155	6
Purchasing	15	-	-	15	15	-	-	15	0
Real Estate	6	1	-	7	9	1	-	10	3
Traffic	48	1	2	51	49	1	4	54	3
Total General Government	2,037	142	143	2,322	2,128	134	153	2,415	93

Changes from 2004 to 2005 include:

- * 54 new public safety employees
- * 22 new employees in Economic and Community Development, including Anchorage Parks & Recreation and Real Estate
- * 6 new employees for bus route expansion

2005 APPROVED GENERAL GOVERNMENT OPERATING BUDGET COMPARED TO 2004 REVISED

	2004 REVISED BUDGET (After 1st Qtr & Supplementals) (1)	2005 PROPOSED BUDGET	AMEND- MENTS	2005 APPROVED BUDGET	2005 APPROVED vs 2004 REVISED BUDGET
EXPENDITURES					
Departments (Direct Costs)	\$ 269,547,090	\$ 288,153,610	\$ (153,640)	\$ 287,999,970	\$ 18,452,880
Voter-Approved Debt Service (2)	39,770,600	41,807,510		41,807,510	2,036,910
Total Expenditures	\$ 309,317,690	\$ 329,961,120	\$ (153,640)	\$ 329,807,480	\$ 20,489,790
REVENUES					
Non-Property Taxes:					
State	1,389,820	1,529,880	180,000	1,709,880	320,060
Federal	501,340	494,040		494,040	(7,300)
Program	49,292,360	51,555,550	(105,340)	51,450,210	2,157,850
Taxes, Interest, Other	40,009,670	51,371,750	(86,640)	51,285,110	11,275,440
MUSA/MESA +1.25%	9,284,680	13,949,000		13,949,000	4,664,320
IGC's to Non-General Government	22,431,300	22,087,400	(230,310)	21,857,090	(574,210)
Reduced charges for equipment use	3,584,840			-	(3,584,840)
Applied Fund Balance(fund 101)	112,000			-	(112,000)
Applied Fund Balance(fund 106)	15,000			-	(15,000)
Total Non-Property Taxes	\$ 126,621,010	\$ 140,987,620	\$ (242,290)	\$ 140,745,330	\$ 14,124,320
PROPERTY TAXES REQUIRED	\$ 182,696,680	\$ 188,973,500	\$ 88,650	\$ 189,062,150	\$ 6,365,470
DETAIL OF PROPERTY TAXES					
MOA PROPERTY TAX CAP	173,975,100	179,858,990	107,900	179,966,890	5,991,790
LRSA Max Mill Rate Tax	\$ 1,354,580	1,512,110	(100)	\$ 1,512,010	\$ 157,430
CBERRRSA Max Mill Rate Tax	4,466,300	4,621,790	(470)	4,621,320	155,020
ER/Chugiak P&R Max Mill Rate Tax	2,702,790	2,777,240	(28,030)	2,749,210	46,420
Glen Alps Max Mill Rate Tax	198,390	212,730	(10)	212,720	14,330
TOTAL OTHER PROPERTY TAXES	\$ 8,722,060	\$ 9,123,870	\$ (28,610)	\$ 9,095,260	\$ 373,200
TOTAL PROPERTY TAXES	\$ 182,697,160	\$ 188,982,860	\$ 79,290	\$ 189,062,150	\$ 6,364,990
(Over)/Under tax cap	\$ 480	\$ 9,360	\$ (9,360)	\$ 0	\$ (480)

(1) Includes supplemental appropriations through 5/31/04

(2) Voter-Approved Debt Service Only (excludes fiscal agency fees and other long-term debt costs)

TAX LIMIT CALCULATION **(Preliminary)**

2004 TAXES

Real/Personal Property Taxes	\$ 173,975,100
Payment in Lieu of Taxes (State/Federal)	609,540
Automobile Tax	5,285,160
Tobacco Tax	4,900,000
Aircraft Tax	195,000
Motor Vehicles Rental Tax	4,200,000
2004 Total Taxes	<u>\$ 189,164,800</u>

Less Taxes to Pay Judgments	170,000
Less Taxes to Pay Debt Service	39,770,600
	<u>\$ 149,224,200</u>

ADJUSTMENT FACTORS

Population 5 Year Average	1.16%	
Change in Consumer Price Index	<u>2.80%</u>	
Total	3.96%	5,909,280
Base Taxes Allowed		<u>\$ 155,133,480</u>

PLUS:

(1) Tax on New Construction	4,417,870
(2) Tax to Pay Debt Service	41,807,510
(3) Voter-Approved New O&M Costs	1,502,900
(4) Judgments/Legal Settlements	1,085,000
TAX LIMITATION	<u>\$ 203,946,760</u>

LESS:

Payment in Lieu of Taxes (State/Federal)	(664,870)
Automobile Tax	(5,300,000)
Tobacco Tax	(13,810,000)
Aircraft Tax	(205,000)
Motor Vehicle Rental Tax	(4,500,000)
(5) Taxing Authority Transfer to ASD not implemented	<u>500,000</u>

2005 MOA MAXIMUM PROPERTY TAX ALLOWED	<u><u>\$ 179,966,890</u></u>
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Notes:

- (1) Based on Property Appraisal estimate of \$514,902,935 value for new construction at 2004's 8.58 average tax rate.
- (2) 2005 debt service estimates
- (3) a) Southport Fire Station #15 - \$295,000
b) Fire Heavy Rescue Truck #4 - \$740,000
c) Expanded E-911 - \$270,900
d) Various Roads & Drainage projects identified by Maintenance & Ops Dept - \$133,000
e) Various Parks & Recreation projects identified by Maintenance & Ops Dept - \$63,500
- (4) Miscellaneous settlements
- (5) \$500,000 taxing authority transfer to ASD in 2004 not implemented.

total new construction	514,902,935
tax on new construction	<u>4,417,870</u>