

# GUIDE TO THE OPERATING BUDGET

## I. INTRODUCTION

### Why This Guide?

The purpose of this guide is to explain Anchorage's operating budget process and how to read the forms contained in the budget document. Budgets are often complex and confusing to the person who does not deal with them regularly. The terminology is foreign to many people and the various schedules are not always easily understood. It is hoped that this guide will provide readers with a better understanding of the budget process and information contained in the budget.

### How to Use This Guide

This guide is organized into five main sections:

- Section I, Introduction, explains the purpose of this guide.
- Section II, General Budget Principles, outlines the Municipality's major governing budget policies. These include the service area concept, balanced budget, Tax Limit, and appropriation guidelines. (There is a Glossary of Terms at the end of this guide.)
- Section III, How a Budget is Prepared and Compiled, explains the budgeting process used by general government departments.
- Section IV, How to Use the Budget Document, leads the reader step-by-step through the forms in the budget document. The interrelationships of the various forms are explained.
- Glossary of Terms, defines terms used in the Guide and throughout the budget document.

## II. GENERAL BUDGET PRINCIPLES

### 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 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 are 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.

Service area expenditures and revenues are budgeted in unique funds. A fund is an accounting entity that 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 - The service area for police covers most of the Municipality except for Girdwood and Turnagain Arm.
- Fire - There are separate fire service areas for Anchorage, Chugiak, and Girdwood.
- Roads and Drainage - There are many 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), Chugiak, Birchwood, Eagle River Rural Road Service Area (CBERRSA), Glen Alps Service Area, and Girdwood Valley Service Area. Others are called Limited Road Service Areas (LRSA), which only have authority to maintain their roads.
- Parks and Recreation - There are separate service areas for parks and recreation programs and facilities in Anchorage, Eagle River/Chugiak, and Girdwood.

There are also a number of separate funds for particular program operations (equipment maintenance, public finance and investment and 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 budget year revenues because expenses that can be budgeted are dependent on the amount of revenue available.

## **Taxes, Tax Limit, 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 tax rate, is \$1.00 of tax per \$1,000 of assessed value. If you are taxed 4 mills for police and your house is assessed at \$100,000, you pay \$4 per \$1,000 of assessed value, or \$400 in taxes, for police services.

In October 1983 the voters of Anchorage passed an amendment to the Charter known as the Tax Limit. While some think of it as a property Tax Limit, it actually sets a limit on how much all taxes can increase from one year to the next. Other taxes collected by the Municipality that are subject to the Tax Limit are those on automobile registration, tobacco, aircraft registration, and motor vehicle rentals.

Proponents of the citizens' Tax Limit recognized that it still is important that taxes be allowed to grow (although controlled) in order to keep up with increased demands of a growing community. Growth in taxes under the Tax Limit is permitted by annual adjustments for inflation, population and new investment in the community (the amount of taxes that will come from property improvements or new construction that was not taxed the previous year). The Limit also can be increased, again by voters, when they approve general obligation bonds and corresponding operations and maintenance costs.

A preliminary calculation of the overall Tax Limit for the budget year is presented in this document in Appendix L (the final Tax Limit actually is calculated each spring just prior to setting the budget year's mill levies). The limit on tax increases sets an overall ceiling for the total amount in all local tax revenue (except Hotel/Motel Tax) that can be collected so each dollar in non-property taxes offsets a dollar in property taxes. This means a \$1.0 million increase in other local taxes translates into \$1.0 million less in property taxes that can be collected. Another way to think of the Tax Limit is that it establishes how big the "tax bucket" can be each year. The bucket is first filled with the revenue that comes from the other taxes (automobile, tobacco, motor vehicle rental, and aircraft). The bucket then can be filled to the top with property taxes.

To calculate the Tax Limit, you start out by using the taxes levied the current year. Adjustments are next made for population and inflation, which establishes the base to start calculating the next year's cap. Additional taxes permitted under the limit are then added (for new construction and debt service). The Limit also allows additional taxes to be collected to pay court-ordered judgments and settlements. Combined, this establishes the overall Tax Limit (the size of the bucket). To calculate the amount of property taxes, non-property taxes are backed out from the cap (they go into the bucket first). The room left in the bucket is the amount of property taxes that can be collected.

### **Spending Limit**

The Municipal Code also includes a Spending Limit that restricts expenditure increases to inflation, population, and voter/legally mandated services. Both the Tax Limit and spending limit 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 (these terms 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.

## **III. HOW AN OPERATING BUDGET IS PREPARED AND COMPILED**

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; and/or
- Efficiencies that can be achieved through better management and/or use of technology.

Both the balanced budget concept and the tax limitation necessitate early predictions of both expenditures and revenues. Factors considered include union wage agreements and employee benefit costs. These totals, plus any new facility or program requirements are 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 that 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 activities. A budget is prepared for each service level, using various budget worksheets to project expenses. If the service level involves work that 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, Municipal Manager Chief Fiscal Officer or Executive Director of Economic and Community Development, and the Mayor. The amount established for each department is called the direct cost budget, or funding line, for that department.

### **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 Maintenance and Operations Department maintains all general government buildings and most fleet vehicles. Maintenance costs are budgeted in Maintenance and Operations 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 Metropolitan Police Service Area taxpayers pay for the whole police program, including the cost of maintaining the police buildings and police fleet. The intragovernmental charge system allows general government departments/agencies to properly charge Municipal utilities, grants, and capital projects for services provided.

For 2005 the first phase of a restructuring of the intragovernmental charge system is being shown in the budget. Those intragovernmental charges from overhead, or general and administrative units are not being shown as budgeted to a unit or department level but are being shown as budgeted to the fund level. The result in 2005 are shown in Appendix B. Those units considered as overhead, or general and administrative, units are Internal Audit, Equal Opportunity, Municipal Attorney Administration, Municipal Manager Administration, Finance, Management and Budget, Employee Relations, Purchasing and Economic and Community Development Administration.

### **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	(2,000,000)
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. The departments estimate these program revenues when they prepare their service levels.

Other revenues are earned or received by the Municipality as a whole. These are categorized as "Taxes, Interest, and Other" revenues. 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 revenues for each fund are estimated, the tax requirement can be calculated. The tax requirement is the function cost less program revenues less other revenues less fund balance applied.

CONTINUING WITH THE EXAMPLE ABOVE:

Service Area Function Cost	\$ 9,000,000
Program Revenues	(2,000,000)
Other Revenues	(4,500,000)
Fund Balance Applied	( 500,000)
Service Area Tax Requirement	<u>\$2,000,000</u>

### Calculation of 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 tax rate, is \$1.00 of tax per \$1,000 of assessed value. If you are taxed 4 mills for police services and your house is assessed at \$100,000, you pay \$4 per \$1,000 of assessed value, or \$400 in taxes for police services.

Property taxes to be paid are based on the assessed valuation of the property within a service area and the amount of taxes to be collected from that service area (however, the overall total amount of taxes that can be collected in any one year is still governed by the Tax Cap).

The two variables to calculate the mill levy for each service area are its assessed valuation and the amount of taxes to be collected. To calculate the mill levy (or tax rate), you divide the amount of taxes to be collected in that service area by its assessed valuation. The answer is then multiplied by 1,000 to get the mill levy for that service area. For example:

$$\begin{array}{rcl}
 \begin{array}{l} \text{Taxes to be collected} \\ \text{In a Service Area} \end{array} & & \$2,000,000 \\
 \hline & \times 1,000 = \text{Mill Levy} & \hline
 \end{array}
 \qquad
 \begin{array}{rcl}
 & & \\
 & & \hline
 \end{array}
 \times 1,000 = .20 \text{ mills}$$
  

$$\begin{array}{rcl}
 \begin{array}{l} \text{Service Area's} \\ \text{Assessed Valuation} \end{array} & & \$10,000,000 \\
 \hline & & 
 \end{array}$$

Summaries of mill levies can be found in the Appendices.

#### IV. HOW TO USE THE BUDGET DOCUMENT

The information presented in the budget document are the product of the steps described in the preceding section. The budget document is organized into four major sections:

- **Budget Overview:** highlights of the budget.
- **Revenue:** Two-year Summary of all Revenues; revenue notes; detailed breakdown of all revenues.
- **Department Detail:** each department's organization chart and a resource plan which summarizes expenditures, revenues, and personnel by division and compares current year with budget year. For those departments that receive operating grants, a two-year grant comparison is included. This comparison identifies the grants, number of positions and amounts in each grant and the percentage that grants, in total, add to the department's total budget for operations. Finally, the Ranking Sheet for each department is provided. This shows the departments levels of services, prioritized from highest to lowest priority, and the resources (dollars and personnel and expected program revenues) budgeted for each.
- **Appendices:** comparisons of expenditures, function costs, assessed valuation and mill levies and personnel benefits rates, overtime and debt service summaries and tax limit calculation.

#### V. HOW TO READ THE DEPARTMENT DETAIL SECTION

The Department Detail section is central to the budget presentation. This section gives the most detail for those who are interested in reviewing the budget at the department level. This portion of the guide will lead the reader step-by-step through the schedules used for each department and explain the interrelationships that exist between them.

##### **Resource Plan**

The Resource Plan gives the operating costs and personnel resources for each division within a department. It adds debt service to show the total direct organization cost for the department. Intragovernmental charges received from other departments are netted against charges to be made to other departments and shown on the intragovernmental services from/(to) line. The result of the direct organization cost and net intragovernmental charges equals the department's function cost. Any program revenues budgeted by the department are subtracted to get the net program costs of the department. For departments with operating grants, a summary of grants activity is then presented.

The lower half of the resource Plan shows, by division, the breakout of the budget by expense category -- personal services, supplies, other services, debt service and capital outlay.

## 2005 Resource Plan

### *Department: Public Transportation*

Division	<b>Financial Summary</b>		<b>Personnel Summary</b>							
	2004	2005	2004 Revised				2005 Approved			
	Revised	Approved	FT	PT	Temp	Total	FT	PT	Temp	Total
Administration	1,102,190	1,175,390	11			11	11			11
Planning & Paratransit Svcs	2,448,620	2,592,590	1			1	1			1
Operations	7,589,040	8,224,640	103			103	108			108
Vehicle Maintenance	3,104,070	3,132,360	34			34	35			35
Non-Vehicle Maintenance	130,640	125,540				0				0
<b>Operating Cost</b>	<b>14,374,560</b>	<b>15,250,520</b>	<b>149</b>	<b>0</b>	<b>0</b>	<b>149</b>	<b>155</b>	<b>0</b>	<b>0</b>	<b>155</b>
Add Debt Service	251,810	240,860								
<b>Direct Organization Cost</b>	<b>14,626,370</b>	<b>15,491,380</b>								
Charges From/(To) Others, excluding charges from overhead units	1,323,930	562,990								
<b>Function Cost</b>	<b>15,950,300</b>	<b>16,054,370</b>								
Less Program Revenues	(2,710,640)	(2,758,640)								
<b>Net Program Cost</b>	<b>13,239,660</b>	<b>13,295,730</b>								
Grant Resources (scheduled on last pages of this section)	3,034,274	3,722,676	10	6		16	13	6		19

### **2005 Resource Costs by Category**

Division	Personal Services	Supplies	Other Services *	Capital Outlay	Total Direct Cost
Administration	866,390	115,320	193,680		1,175,390
Planning & Paratransit Svcs	81,630	243,000	2,267,960		2,592,590
Operations	7,374,140	830,010	244,460		8,448,610
Vehicle Maintenance	2,556,160	781,130	(52,660)		3,284,630
Non-Vehicle Maintenance		18,000	107,540		125,540
<b>Operating Cost</b>	<b>10,878,320</b>	<b>1,987,460</b>	<b>2,760,980</b>	<b>0</b>	<b>15,626,760</b>
Less Vacancy Factor	(376,240)				(376,240)
Add Debt Service					240,860
<b>Total Direct Organization Cost</b>	<b>10,502,080</b>	<b>1,987,460</b>	<b>2,760,980</b>	<b>0</b>	<b>15,491,380</b>

\* Travel budgeted by this department within the Other Services category is \$4,670

## Reconciliation from Current Year to Budget Year

The Reconciliation for each department starts with the resources budgeted at the revised budget for the current year (the budget after the budget revisions through the first quarter budget revisions have been approved and processed). It first lists expense authorization changes during the current year that would reflect how a continuation budget for the budget year might look. The continuation budget is a hypothetical level that would include an estimate of the budget year costs for current year programs and levels of services.

The Reconciliation then list changes in resources made to arrive at the budget year resources, dollars and personnel. These may be increases or decreases. Finally, amendments made to the department's appropriation during the Assembly approval process are listed as amendments to arrive at the approved level of 2005 expenditures. These may be increases or decreases.

Following the reconciliation of authorized expenditure levels, the following page shows the same information for the program revenues budgeted to be achieved by the department.

Program revenues are those earned by the department for activities they control and may be permit fees, admission fees, fines, tickets, charges for services, etc.

<b>RECONCILIATION FROM 2004 REVISED BUDGET TO 2005 APPROVED BUDGET</b>					
<b>DEPARTMENT: PUBLIC TRANSPORTATION</b>					
	<b><u>DIRECT COSTS</u></b>	<b><u>POSITIONS</u></b>			
		<b><u>FT</u></b>	<b><u>PT</u></b>	<b><u>T</u></b>	
<b>2004 REVISED BUDGET:</b>	\$ 14,626,370	149			
<b>2004 ONE-TIME REQUIREMENTS:</b>					
- None					
<b>TRANSFERS (TO)/FROM OTHER AGENCIES:</b>					
- None					
<b>DEBT SERVICE CHANGES:</b>	(10,950)				
<b>CHANGES IN EXISTING PROGRAMS FOR 2005:</b>					
- Salaries and benefits adjustment	740,180				
- Insurance adjustment	1,180				
<b>CONTINUATION LEVEL FOR 2005:</b>	<u>\$ 15,356,780</u>	<u>149</u>	<u>0</u>	<u>0</u>	
<b>TRANSFERS (TO)/FROM OTHER AGENCIES:</b>					
- None					
<b>2005 PROGRAMMATIC CHANGES:</b>					
- Increase in fuel and insurance for AnchorRides	98,500				
- Increase in fuel for Fixed Route System	87,500				
- Route expansion funded by FHWA grant through Intragovernmental Charges (IGCs)	395,500	6			
- Reduction in maintenance supplies	(59,800)				
- Procurement savings	(152,550)				
- Health care savings *	(160,780)				
<b>2005 PROPOSED BUDGET:</b>	<u>\$ 15,565,150</u>	<u>155</u>	<u>0</u>	<u>0</u>	
<b>2005 AMENDMENTS:</b>					
- Provide funds for bus tokens to Safe Harbour Inn (\$9,850) and to Child in Transition Homeless Program (\$12,800) to assist with transportation needs	22,650				
- Adjust vacancy factor to align with vacancy methodology	(96,420)				
<b>2005 APPROVED BUDGET:</b>	<u>\$ 15,491,380</u>	<u>155</u>	<u>0</u>	<u>0</u>	

<b>RECONCILIATION FROM 2004 REVISED BUDGET TO 2005 APPROVED BUDGET</b>
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**DEPARTMENT: PUBLIC TRANSPORTATION**

	<b>REVENUES</b>
<b>2004 REVISED BUDGET:</b>	\$ 2,710,640
<b>CHANGES:</b>	
- Increase in fixed route revenues due to grant funded bus route expansion	48,000
<b>2005 PROPOSED BUDGET:</b>	<b>\$ 2,758,640</b>
<b>2005 AMENDMENTS:</b>	0
<b>2005 APPROVED BUDGET:</b>	<b>\$ 2,758,640</b>

**Program Plan**

The Program Plans within each department's budget allows the reader to see more detail about specific programs carried out by the department. For each program there is a statement of purpose and a presentation of the major objectives of that program. The program plan then summarizes three years of resources utilized by that program, both personnel and dollars. The Prior Year, in the 2005 budget that represents 2003, shows actual dollars spent. The current year, 2004, and the budget year, 2005, represent budget values for the program. For operational programs, statistical, work measures are then presented showing more specific values of what the program accomplishes. The reader should note that many administrative units do not have work measures included.

## 2005 P R O G R A M P L A N

DEPARTMENT: PUBLIC TRANSPORTATION      DIVISION: OPERATIONS  
PROGRAM: People Mover Service

### PURPOSE:

Provide safe, reliable and accessible transit service, serving Anchorage residents and visitors who are able to use the Fixed Route System. Promote increases in ridership and contain operating costs.

### 2004 PERFORMANCES:

- Operated and maintained a safe and reliable fixed route transit system that served transit dependent riders, school children, senior and disabled riders and other commuters.
- Overall system productivity is measured in terms of passengers per revenue hour; goal for 2004 was 29.5 passengers per hour.

### 2005 PERFORMANCE OBJECTIVES:

- Operate and maintain a safe and reliable fixed route transit system that serves transit dependent riders, school children, senior and disabled riders and other commuters.
- Overall system productivity is measured in terms of passengers per revenue hour; goal for 2005 is 29.5 passengers per hour.

### RESOURCES:

	2003 REVISED			2004 REVISED			2005 BUDGET		
	FT	PT	T	FT	PT	T	FT	PT	T
PERSONNEL:	137	0	0	142	0	0	154	0	0
PERSONAL SERVICES	\$ 8,073,910			\$ 9,396,430			\$10,516,870		
SUPPLIES	1,449,110			1,622,560			1,744,460		
OTHER SERVICES	402,260			906,950			470,370		
DEBT SERVICE	197,060			251,810			240,860		
TOTAL DIRECT COST:	\$10,122,340			\$12,177,750			\$12,972,560		
PROGRAM REVENUES:	\$ 2,368,390			\$ 2,710,640			\$ 2,758,640		

### WORK MEASURES:

- Ridership	3,339,451	3,475,000	3,610,000
- Revenue hours	114,604	117,000	121,500
- Fleet miles	2,144,670	2,210,000	2,250,000
- Grants administered	13	13	13
- Information calls answered	108,000	110,000	115,000
- Ridership per revenue hour	29	29	29
- Public Hearings	8	8	8
- Bus patron shelters cleaned	50	55	55
- Management information reports	11	11	11

38 SERVICE LEVELS ARE FUNDED FOR THE DEPARTMENT. THIS PROGRAM HAS LEVELS:

1, 2, 5, 6, 8, 9, 10, 11, 12, 13, 14, 16, 17, 19, 20,  
21, 22, 23, 24, 26, 27, 28, 29, 30, 31, 33, 34, 38

## **Operating Grant Funded Program Summary**

For those departments that have operating grants, there is an Operating Grant Funded Programs Schedule. This schedule compares grants funded resources and operating budget resources for the current year and budget year. It then details the grants in-hand or anticipated, showing a brief description of the purpose, the dollar amount and positions, if any, funded by each grant.

Most Municipal grants have a program year that does not coincide with our Municipal budget year. Most grants from the State of Alaska, for example, are received for a July 1 through June 30 program year, while most federal grants are received for an October 1 through September 30 program year. Because of that it is difficult to match grant resources with operating budget years. The Operating Grant Funded Programs Schedules presented in this document use the convention of the grantor fiscal year being the year selected to show the grant resources. Since the State's FY04 is July 1, 2004 through June 30, 2005, State grants received in FY04 are shown as 2005 year grants in the grants schedule. Federal grants expected for federal fiscal year 2005, October 1, 2004 through September 30, 2005, are considered 2005 grants for the purposes of these grant schedules. The final column for each grant shows the grant period for the most recent grant received or anticipated.

<p style="text-align: center;"><b>DEPARTMENT OF PUBLIC TRANSPORTATION</b></p> <p style="text-align: center;"><b>OPERATING GRANT FUNDED PROGRAMS</b></p>									
GRANT PROGRAM	FY 2004 (Grants beginning in 2003)				FY 2005 (Grants beginning in 2004)				LATEST GRANT PERIOD
	Amount	FT	PT	T	Amount	FT	PT	T	
TOTAL GRANT FUNDING	\$ 3,034,274	10	6	0	\$ 3,722,676	13	6	0	
TOTAL PUBLIC TRANSPORTATION GENERAL GOVERNMENT OPERATING BUDGET	\$ 14,626,370	149	0	0	\$ 15,491,380	155	0	0	
	\$ 17,660,644	159	6	0	\$ 19,214,056	168	6	0	
GRANT FUNDING REPRESENTED 20.7% OF THE DEPARTMENT'S REVISED 2004 DIRECT COST OPERATING BUDGET.									
GRANT FUNDING WILL REPRESENT 24.0% OF DEPARTMENT'S DIRECT COST IN THE APPROVED 2005 OPERATING BUDGET.									
TRANSIT SECTION 5303 - FTA TRANSIT PLANNING	\$ 201,774	3			\$ 225,343	3			09/30/04 - 12/31/06
- Provide partial funding for Public Transportation planning function.									
TRANSIT SECTION 5310 - FTA TRANSIT CAPITAL GRANT PROGRAM					\$ 100,000	3			7/1/04 - 6/30/06
- Provide partial funding for Coordinated Senior and Americans with Disabilities Act transportation.									
RIDESHARING	\$ 366,000	2			\$ 384,986	2			1/1 - 12/31/2005
- Promote carpools, vanpools and other ridesharing services to assist Anchorage in compliance with the Federal Clean Air Act.									
TRANSIT MARKETING	\$ 192,150				\$ 230,991				1/1 - 12/31/2005
- Develop and implement marketing programs to reduce need for single-occupant vehicle travel.									
VAN AND BUS ROADEO	\$ 17,000				\$ 17,000				1/1 - 12/31/2005
- Provide funding to hold a statewide Van and Bus Rodeo in Anchorage.									
TRANSIT YOUTH PROGRAM	\$ 130,704	1	6		\$ 135,710	1	6		1/1 - 12/31/2005
- Provide meaningful work experience for Anchorage area youth as they landscape, beautify or remove snow at bus stops.									
SENIOR TRANSPORTATION (ALASKA COMMISSION ON AGING)	\$ 478,646				\$ 478,646				7/1/04 - 6/30/05
- Provide coordinated transportation services for the elderly.									
TRANSIT SECTION 5307 -- TRANSIT OPERATING ASSISTANCE	\$ 248,000	4			\$ 270,000	4			01/1/04 - 12/31/05
- Provide funds to assist public transportation operations for seniors and disabled patrons.									
TRANSIT SERVICE EXPANSION	\$ 1,400,000				\$ 1,880,000				7/1/04 - 6/30/05
- Fund route structure expansion that began in 2003 based on Route Restructure study completed in 2002.									
Total	\$ 3,034,274	10	6	-	\$ 3,722,676	13	6	-	

## Ranking Report

The final information presented for each department are the Ranking Sheets showing the prioritized listing of service levels for each department. There is a service level described for each level of service. The service level gives a brief description of the purpose, or the activities or services provided. It indicates whether the basic activities of that level of service are funded by tax costs, by intragovernmental charges to other Municipal users or by program revenues. Any service level may be funded by one or all of these funding sources. The service level description then summarizes the personnel resources and the dollar resources budgeted to perform the services.

The service levels are ranked from the highest priority, rank 1, to lowest priority, rank last. Toward the bottom of the ranking the department's funding line is reached. The ranking report interrupts the ranked list by showing the funding line and the cumulative resources budgeted through that level, both personnel and dollars.

Service levels below the department funding line are not funded by this budget. They would require additional available funding sources to be funded, or would require a re-prioritization to a higher priority to "bump out" other funded levels of service.

MUNICIPALITY OF ANCHORAGE

2005 DEPARTMENT RANKING

DEPT: 35 - PUBLIC TRANSPORTATION

DEPT	BUDGET UNIT /	SL	SVC
RANK	PROGRAM	CODE	LVL

1	6220-TRANSIT OPERATIONS	1	Provide People Mover bus operations
	0386 – People Mover Service	OF	Monday – Friday within the Anchorage
	SOURCE OF FUNDS, THIS SVC LEVEL	12	Bowl and between Anchorage and the Eagle
	TAX SUPPORT		River Transit Center. Function requires
	IGC SUPPORT		bus operations, dispatch, radio control
	PROGRAM REVENUES		and supervision.
	1,917,330		Routes: 2, 3, 4, 7, 8, 9, 11, 12, 14,
			36, 45, 60, and 75

PERSONNEL			PERSONAL		OTHER	DEBT	CAPITAL	
FT	PT	T	SERVICE	SUPPLIES	SERVICES	SERVICE	OUTLAY	TOTAL
74	0	0	5,020,250	508,400	40,940	0	0	5,569,590

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2	6300-VEHICLE MAINTENANCE	CB 1	Provide People Mover vehicle maintenance
	0386 – People Mover Service	OF	in support of Anchorage Bowl Service in
	SOURCE OF FUNDS, THIS SVC LEVEL	9	Operations Service Level 1.
	TAX SUPPORT		

PERSONNEL			PERSONAL		OTHER	DEBT	CAPITAL	
FT	PT	T	SERVICE	SUPPLIES	SERVICES	SERVICE	OUTLAY	TOTAL
23	0	0	1,649,740	526,920	70,630-	0	0	2,106,03

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36 6150-PARATRANSIT SERVICES 0731 – AnchorRIDES Program SOURCE OF FUNDS, THIS SVC LEVEL TAX SUPPORT PROGRAM REVENUES	8 Paratransit transportation for ADA and OF Senior clients beyond ¾ miles 10 from existing fixed route service. Includes Hillside and Sand Lake areas. 0
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PERSONNEL	PERSONAL		OTHER	DEBT	CAPITAL	
FT PT T	SERVICE	SUPPLIES	SERVICES	SERVICE	OUTLAY	TOTAL
0 0 0	0	0	125,000	0	0	125,000

37 6150-PARATRANSIT SERVICES 0731 – AnchorRIDES Program SOURCE OF FUNDS, THIS SVC LEVEL TAX SUPPORT	9 Provide paratransit transportation OF services to senior citizens. 10
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PERSONNEL	PERSONAL		OTHER	DEBT	CAPITAL	
FT PT T	SERVICE	SUPPLIES	SERVICES	SERVICE	OUTLAY	TOTAL
0 0 0	0	0	213,770	0	0	213,770

38 6220-TRANSIT OPERATIONS 0386 – People Mover Service SOURCE OF FUNDS, THIS SVC LEVEL TAX SUPPORT	10 Provide shuttle bus service to special OF events to include the Air Force Air 12 Show and the Girdwood Forest Fair.
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PERSONNEL	PERSONAL		OTHER	DEBT	CAPITAL	
FT PT T	SERVICE	SUPPLIES	SERVICES	SERVICE	OUTLAY	TOTAL
0 0 0	16,500	3,500	0	0	0	20,000

39 6130-MARKETING/CUSTOMER SVC 0386 – People Mover Service SOURCE OF FUNDS, THIS SVC LEVEL TAX SUPPORT	4 Provide free tokens for Safe Harbour Inn OF (\$9,850) and to the Child in Transition 4 Homeless Program (\$12,800) to assist with transportation needs.
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PERSONNEL	PERSONAL		OTHER	DEBT	CAPITAL	
FT PT T	SERVICE	SUPPLIES	SERVICES	SERVICE	OUTLAY	TOTAL
0 0 0	0	0	22,650	0	0	22,650

SUBTOTAL OF FUNDED SERVICE LEVELS, PUBLIC TRANSPORTATION . . . . .

PERSONNEL	PERSONAL		OTHER	DEBT	CAPITAL	
FT PT T	SERVICE	SUPPLIES	SERVICES	SERVICE	OUTLAY	TOTAL
155 0 0	10,502,080	1,987,460	2,760,980	240,860	0	15,491,380

----- DEPARTMENT OF PUBLIC TRANSPORTATION FUNDING LINE-----  
. . . . . 15,491,380

TOTALS FOR DEPARTMENT OF PUBLIC TRANSPORTATION FUNDED AND UNFUNDED . . .

PERSONNEL	PERSONAL		OTHER	DEBT	CAPITAL	
FT PT T	SERVICE	SUPPLIES	SERVICES	SERVICE	OUTLAY	TOTAL
155 0 0	10,502,0800	1,987,460	2,760,980	240,860	0	15,491,380

## V. HOW TO USE THE APPENDICES

The Appendices contain summaries of expenditures, revenues, assessed valuation and mill levies. The following describes what can be found in the Appendices and how they relate to the rest of the operating budget document:

**A. Direct Cost by Expenditure Type:** The budget is summarized by department and expense category. This ties in to the Resource Plan totals for each department. The total direct cost for each department is the department appropriation.

**B. Overhead Allocation by Fund:** Shows the allocation of overhead costs, including such units as Finance, Management and Budget, Equal Opportunity, Employee Relations and Purchasing to the various Municipal funds.

**C. Function Cost Comparison by Fund:** Compares function costs (direct costs with intragovernmental charge additions and subtractions) by fund for the budget year with the current year.

**D. Mill Levy Comparisons by Fund:** Compares mill levies by fund (service area) with the approved mill levies for the current year, excluding the Anchorage School District .

**E. Mill Levy Comparison by Taxing District:** Compares each taxing district's mill levy with its current year approved mill levy, excluding Anchorage School District (ASD).

**F. Mill Levy Trends:** Shows a ten-year mill levy trend by taxing district, excluding ASD.

**G. Preliminary Property Tax:** Shows, for each \$100,000 assessed valuation, what residents pay for each of the services they receive, including ASD.

**H. Applied Fund Balance Summary:** Compares the amount of any fund balance to be appropriated to offset function costs with that for the current year.

**I. Personnel Benefit Rates:** These rates are used to develop the operating budget and cover the Municipality's share of retirement, social security, medical, dental and life insurance, accrued leave and long-term disability benefits.

**J. Overtime Comparison by Department:** Compares amount budgeted for overtime for each department with the current year budget. It also includes the actual amount expended for each department through August of the current year.

**K. Debt Service Summary by Program:** Provides detailed information regarding the outstanding debt and the principal and interest payments for the budget year.

**L. Tax Limit Calculation:** Presents the tax limitation calculation, as required in Section 14.03 of the Municipal Charter. Property taxes required cannot exceed the property taxes allowed, as calculated in this schedule. The final Tax Limit is actually calculated in the spring of each year in preparation for setting that year's mill levies.

**M. Police and Fire Retirement System Budget:** The required annual appropriation for the administration and management of the Police and Fire Retirement System is included with the Municipal Operating Budget Ordinance. This appendix provides the budget detail for the Police and Fire Retirement System similar to that shown for general government agencies shown in the department detail section.

## GLOSSARY OF TERMS

**Ad Valorem Tax** A tax based on value. Property taxes in the Municipality are an ad valorem tax. Taxpayers pay a set rate per dollar of assessed value of taxable property.

**Allowed Budget** Amount the total budget can be without exceeding the tax limitation. Calculated by adding the amount of taxes allowed under the tax limitation and other anticipated revenues (programs and allocated revenues and intragovernmental charges to non-tax-supported units such as grants and utilities).

**Appropriation** An authorization by the Assembly to allow expenditures. The Assembly makes appropriations in the operating budget for each department's direct cost and each fund's function cost. Appropriations lapse at the end of the fiscal year.

**Areawide Services** Services provided throughout the entire Municipality. Examples are education, planning and zoning, library, health and transit.

**Assessed Valuation** The value of real estate and other taxable property established by the Municipality as a basis for levying taxes. By State law, all taxable property must be assessed annually at 100% of market value.

**Average Tax Rate** The average tax rate (mill levy) computed by:

$$\frac{\text{Total Property Tax Required}}{\text{Total Areawide Assessed Valuation}} \times 1,000 = \text{Average Tax Rate}$$

**Balanced Budget** A budget in which sufficient revenues are available to fund anticipated expenditures.

**Budget Unit** An organization level for which a budget is prepared. This is usually a division or section, depending on the organizational structure of the particular department.

**Budget Year** The Municipal fiscal (Calendar) year for which the budget is being prepared and presented.

**Charter** The governing document that created the Municipality of Anchorage as a home rule government. The charter was adopted in 1975 and may be amended only by a majority of those voting on the approved amendment.

**Code** The laws that interpret and implement the Municipal charter. The code is adopted and may be revised by ordinance approved by at least six members of the Assembly.

**Continuation Level** Projection of what it would cost in the budget year to continue existing programs and services at the same level of activity.

**Current Year** The Municipal fiscal (calendar) year preceding the year for which the budget document is being prepared and presented.

**Debt Service** Principal and interest payments on debt incurred (bonds sold) by the Municipality.

**Direct Costs** Salaries and other personnel expenses, supplies, contracts and other purchased services, debt service, machinery and other capital expenses. The Assembly appropriates a department's direct costs for the fiscal year.

**Expense** General government expenses include salaries, wages, supplies, contracts, debt service, and purchases of machinery and equipment.

**Fiscal Year (FY)** An accounting term for the budget year. The fiscal year of the Municipality is January through December 31.

**Function Cost** The appropriation level for funds (or service areas). Function cost is calculated as follows:

$$\begin{array}{rccccccc} \text{Direct} & + & \text{Intragovernmental} & & - & \text{Intragovernmental} & = & \text{Function} \\ \text{Cost} & & \text{Charges From Others} & & & \text{Charges to Others} & & \text{Cost} \end{array}$$

The function cost of a particular fund is the sum of the function costs of all budget units assigned to the fund. The Assembly appropriates a fund's function costs for the fiscal year.

**Fund** An accounting entity designed to isolate the expenses and revenues of a particular program or service. Funds are classified according to type: general, enterprise, debt service, etc. The expenses and revenues are accounted for according to generally accepted accounting principles. Each service area established in the Municipality is assigned a unique fund number and title.

**Intragovernmental Charge** The charge for a service which one budget unit (servicer) provides to another (requester). Charges to other budget units are counted as revenues; charges from others are counted as expenses.

**Local Revenues** Revenues received or earned by the Municipality which are not attributed to a particular department, program or service. Examples are interest earned on cash investments. These revenues are distributed to funds (service areas), but not to particular programs. The method of allocation varies, depending on the type of revenue.

**Mandated Increase** Budget increase required to meet Federal, State, or Municipal legally mandated services or programs.

**Mill Levy** See Tax Rate

**Program Cost** The amount required to support a program that is not completely funded by revenues earned by the program. Net program cost must be funded by allocated revenues or property taxes. It is computed as follows:

$$\begin{array}{rcccl} \text{Direct} & + & \text{Intragovernmental} & - & \text{Intragovernmental} & - & \text{Program} & = & \text{Net} \\ \text{Cost} & & \text{Charges From} & & \text{Charges to Others} & & \text{Revenues} & & \text{Program} \\ & & \text{Others} & & & & & & \text{Costs} \end{array}$$

**Program Plan** A description of the work to be performed and resources required for each major type of activity (program).

**Program Revenue** Revenues earned by a program, including fees for service, license and permit fees and fines.

**Property Tax** Total amount of revenue to be raised by levying taxes on real and personal property. Property tax is computed as follows:

$$\begin{array}{rcccl} \text{Net Program Costs} & & \text{Allocated Revenues} & & \text{Property Tax} \\ \text{for all Budget} & - & \text{Assigned to the} & = & \text{Required for} \\ \text{Units in a} & & \text{Fund and Fund} & & \text{the Fund to Meet} \\ \text{Particular Fund} & & \text{Balance} & & \text{the Budget} \end{array}$$

**Resources** The personnel and financial requirements of each program. Personnel resources are stated in terms of full time, part-time and temporary positions. Financial resources are stated in terms of five major expense categories (personal services, supplies, other services, debt services and capital outlay).

**Service Area** A legal entity that funds particular governmental services. Service areas are created, altered or abolished only with the approval of a majority of those voting on the question within the affected area. The services are financed only from taxes on property within the area (after all other revenue sources are applied). Areawide services are provided to, and paid for by, taxpayers throughout the Municipality. Other services are limited to smaller geographic areas. Examples of service areas are:

- Chugiak Fire Service Area
- Anchorage Metropolitan Police Service Area
- Anchorage Roads and Drainage Service Area
- Girdwood Valley Service Area
- Glen Alps Limited Road Service Area

**Service Level** An amount of work to be accomplished with a given level of resources. Service levels are developed by departments during the zero-base budgeting process to present various incremental levels of work and resources to accomplish a program.

**Spending Limitation** Anchorage Municipal Code Section 6.10.037 established a spending limitation on general government tax-supported services. It generally limits per capita expenditure increases to the amount of inflation (as measures by the Anchorage consumer price index) and expenditures required to provide voter and legally mandated services.

**Tax Cap or Tax Limit** A charter amendment passed by the voters of Anchorage in October 1983, which sets an upper limit on the amount of taxes the Municipality can levy in any given year. The Tax Limit is generally based on the amount levied in the previous year, increased by the rate of inflation and the five-year average population growth. Exceptions to the cap are taxes allowed for payment of debt service and judgments against the Municipality and taxes to fund voter-approved services.

**Tax Rate or Mill Levy** A rate of tax to be assessed on all taxable property. Rates are expressed in terms of \$1 of tax per \$1,000 of assessed value. Mill Levy is computed as follows:

$$\begin{array}{l} \text{Property Tax} \\ \text{Required in a} \\ \text{Service Area} \end{array} \div \begin{array}{l} \text{Total Assessed Value} \\ \text{of Taxable Property} \\ \text{in the Service Area} \end{array} \times 1,000 = \text{Mill Levy}$$

**Tax Requirement** The amount of property tax allowed and necessary to fund the budget.

**Tax-supported** A term used to indicate programs or funds which depend, to some degree, on property taxes as a source of revenue. Those that are not tax-supported earn sufficient program revenues, allocated revenues and/or intragovernmental charge revenues to balance their budgets.

**Zero-base Budgeting** A budgeting process that allows for review of varying (ZBB) levels of service at varying levels of resources required. The underlying assumption for a zero-base budget is that existing and new programs should be equally scrutinized and prioritized annually.