



Six Year Fiscal Program & 2010 General Government Operating Budget

Assembly Worksession October 2, 2009

Presentation Agenda

- Goals and Strategies
- Overview of Six Year Fiscal Program
 - Key Economic Indicators
 - Historical Perspective
 - “Do Nothing” Environment
 - “Take Action” Fiscal Plan
- 2010 Budget Overview
 - Revenues
 - Spending
- Questions

Key Six Year Goals and Strategies

Fiscal Policy

- Contribute to the quality of life by leaving discretionary income in the hands of the public rather than have government increase the collection of taxes and utility rates
 - Limit increases to property taxes
 - Limit increases to utility rates
- Operate within available revenues and maintain a favorable bond rating

Energy

- Ensure stable and reliable source of energy
 - Develop an effective emergency response plan for any interruptions in supply
 - Advocate for long term energy supplies to provide the lowest rates and greatest reliability

Public Safety

- Provide a safer community with a reduction in the level of violent crimes.
- Reduce loss of life and property from fires.
- Maintain the ISO rating.
- Respond timely to calls for paramedic and EMT assistance
- Resolve the inebriate homeless problem.

Key Six Year Goals and Strategies

Economic Development

- Provide a business friendly local government.
- Maximize economic development efforts through the Anchorage and Eagle River Chambers, AEDC and ACVB.

Transportation

- Improve traffic flow by completing road connectivity plan. Extend the life cycle of roads.
- Complete the port project and market its expanded capabilities.
- Maintain existing bike trails and plow sidewalks in winter

Municipal Operations

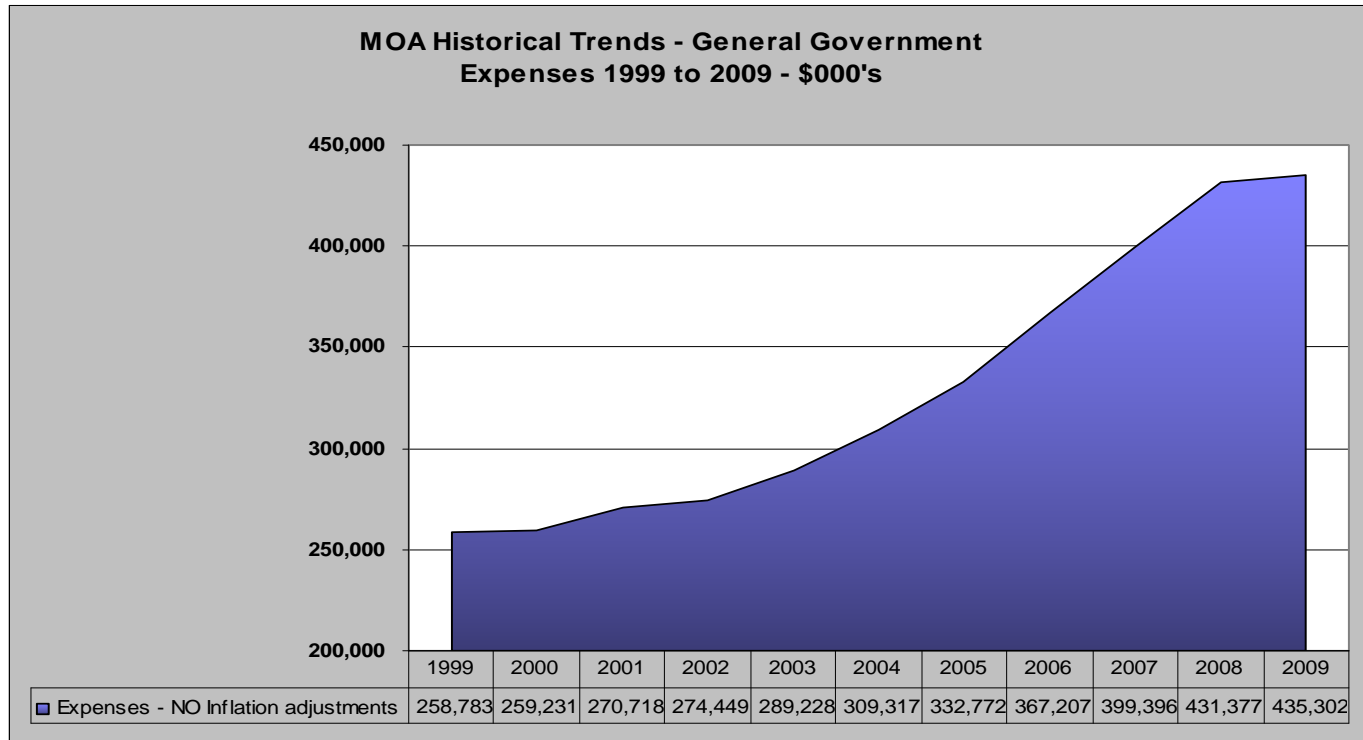
- Maintain a workplace where employees are treated in a fair and equitable manner.
- Increase efficiency and streamline business processes
- Establish effective performance measurements
- Maintain existing facilities

Community Relations

- Maintain open, professional and cordial relationships with the public and the media.
- Achieve an organization culture that puts a higher value on public service
- Promote diversity awareness in the community

Six Year Fiscal Program

Historical Trends 1999 to 2009



Since 2003:

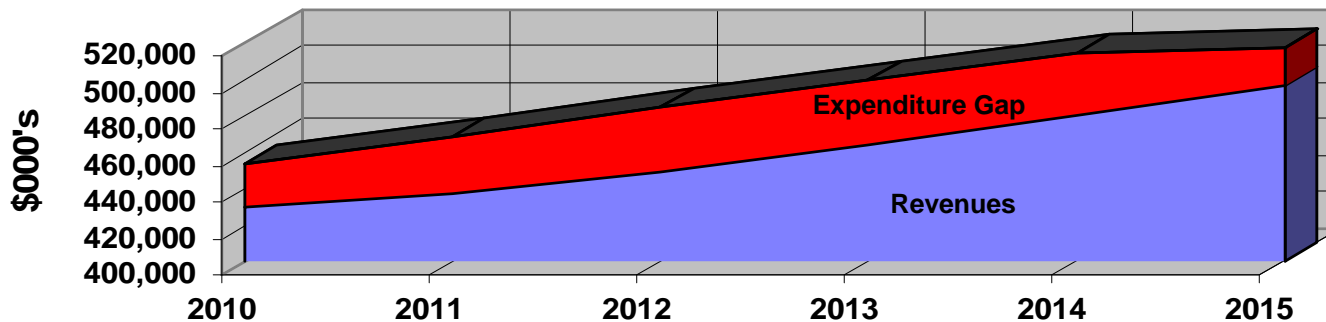
- Inflation has been 16.6%
- Population increased 4.5%
- Property taxes increased 36%
- Voter-approved debt service increased 29%
- Public Safety personnel costs increased 58% (mostly police)
- Non-public safety personnel increased 36%

Key Economic Indicators for Anchorage

- Population growth is slowing to 0.5% vs. average of 1.1%
- Employment is trending down, expect to stabilize in 2010
- Personal income growth will likely slow down from average of 5% to 1 to 3%
- Assessed values are predicted to be down by 3%
- Tourism is expected to decline in 2010 then gradually increase in 2011 and 2012
- Construction for residential/commercial is declining and expected to recover in 2011

Overall: Economic growth is expected to be flat in 2009/2010, with modest growth in 2011 and into following years

“Do Nothing” Environment: No Changes to Operating Structure Tax Citizens to the Maximum Allowed



Surplus(Gap) **(\$23,230)** **(\$31,660)** **(\$35,030)** **(\$35,580)** **(\$33,470)** **(\$19,970)**

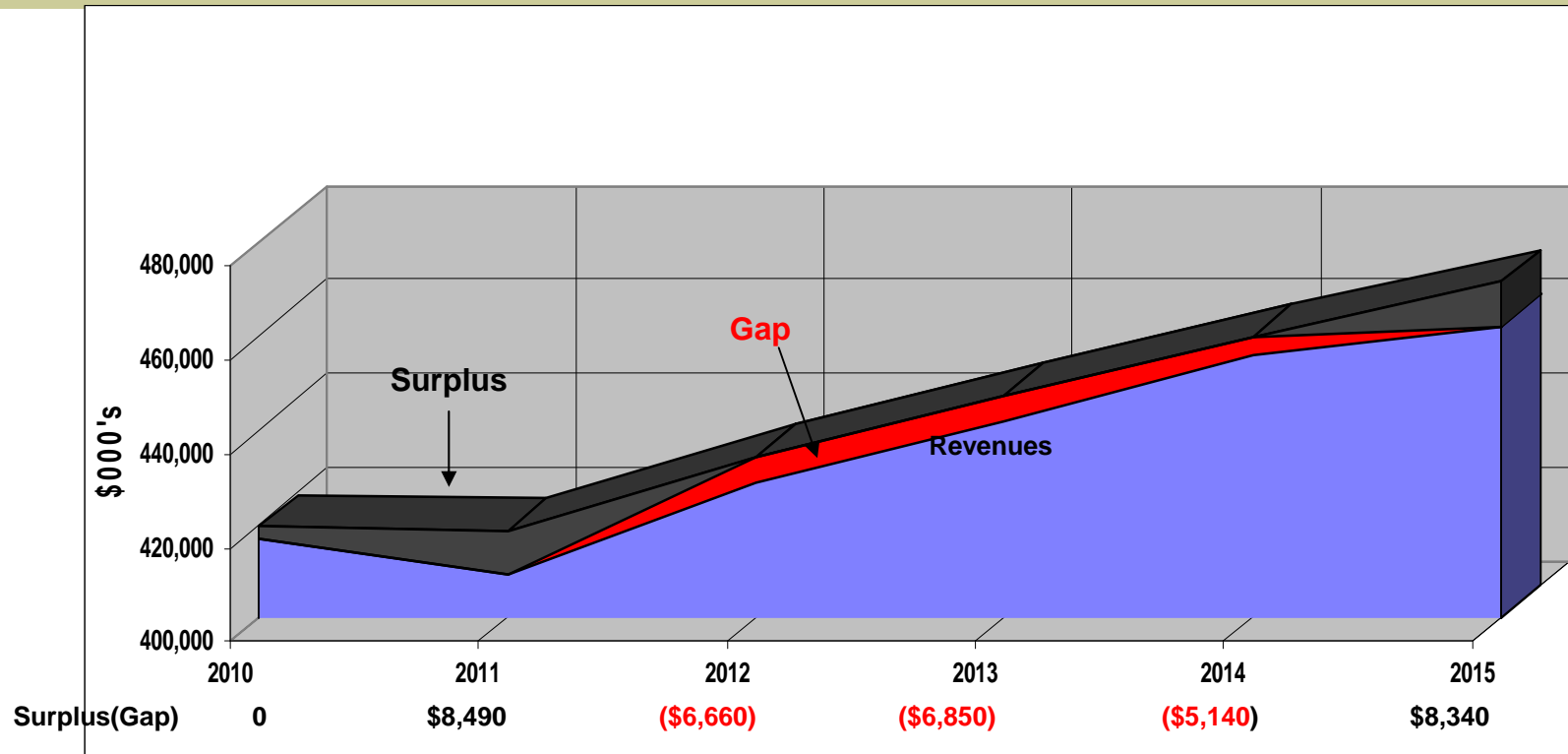
Assumptions

- Minimal changes to government structure
- Property taxes are at tax cap
- Inflation at 2.5%
- Reduced State of AK revenue sharing

Challenges

- Union contract increase \$195MM
- P&F Pension \$72MM
- Inflation

Mayors Plan: “Take Action Now” Adjust Operating Structure Downward Minimize Property Taxes



Assumptions

- Property tax growth capped at 5%
- Inflation at 2.5%
- Reduced State of AK revenue sharing
- Restructure Government to achieve savings
 - \$20MM in 2010, \$25MM additional in 2011
- Refinance debt
- No new revenue sources (Sales tax)

**Proposed
2010 General Government
Operating Budget**

FY 2010 General Government Proposed Budget

	2009	2010
Spending	\$ 422.4	\$ 420.6
Revenue		
Non-Property Taxes	\$ 190.1	\$ 182.4
Property Tax	\$ 250.3	\$ 238.2
Tax Relief	\$ (18.0)	\$ -
Total	\$ 422.4	\$ 420.6

How We Got There

Goal: Minimize Revenue Surprises in 2010

- Analyzed, “Trued Up” Non-Property Tax Revenues
 - Room Tax -\$3.6 million
 - Bond Interest Earnings -\$1.7 million
 - Court, Trial Fines -\$1.9 million
 - Reimbursed Costs -\$1.9 million
- Adjusted for Other Reductions
 - MOA Trust Dividend -\$1.4 million
 - Federal Stimulus Funds -\$3 million

Non-Property Tax Revenue

	2009	2010
Interest, Other Taxes	\$ 95.5	\$ 86.0
Program Revenue	\$ 56.9	\$ 51.6
State Assistance	\$ 18.0	\$ 15.0
Federal/Other State	\$ 5.0	\$ 2.5
Intra-Govt Charges (IGCs)	\$ 24.7	\$ 25.1
Fund Balance	\$ (10.0)	\$ 2.2
Total	\$ 190.1	\$ 182.4

Result: \$ 8 million less in 2010



Calculate Tax Cap

		2009	2010
		Revised	Proposed
		FINAL	DRAFT
1	<u>PRIOR YEAR LOCAL TAXES:</u>		
2	Real/Personal Property Taxes	\$ 218,372,412	\$ 234,643,123
3	Payment in Lieu of Taxes (State & Federal)	579,410	870,741
4	Automobile Tax	5,500,000	5,500,000
5	Tobacco Tax	16,300,000	16,300,000
6	Aircraft Tax	225,000	225,000
7	Motor Vehicles Rental Tax	4,819,000	4,419,000
8	MUSA/MESA	-	-
9	Total Prior Year Local Taxes	\$ 245,795,822	\$ 261,957,864
10			
11	<u>LESS PRIOR YEAR ONE-TIME EXCLUSIONS:</u>		
12	Taxes Authorized by Voter-Approved Ballot (O&M Reserves)	-	(440,000)
13	Judgments/Legal Settlements	(210,000)	(83,345)
14	Debt Service	(45,962,780)	(47,823,086)
15		\$ 199,623,042	\$ 213,611,433
16			
17	<u>ADJUSTMENT FACTORS</u>		
18	Population 5 Year Average	0.90% 1,796,610	0.50% 1,068,060
19	Change in Consumer Price Index (2009 is 5 Year Average)	3.10% 6,188,310	3.10% 6,621,950
20	Total	4.00% 7,984,920	3.60% 7,690,010
21	Total Base Local Taxes Allowed	\$ 207,607,962	\$ 221,301,443
22			
23	<u>PLUS CURRENT YEAR EXCLUSIONS:</u>		
24	New Construction	3,510,290	2,660,370
25			
26	Taxes Authorized by Voter-Approved Ballot (Recurring O&M)	2,493,181	1,707,987
27	Taxes Authorized by Voter-Approved Ballot (One-time O&M Reserves)	440,000	440,000
28	Judgments/Legal Settlements	83,345	470,824
29	Debt Service	47,823,086	38,625,832
30			
31	TOTAL LIMITATION FOR LOCAL TAXES	\$261,957,864	\$265,206,456

Determine Property Taxes Could / Or Propose to Collect

Calculation continued . . .

	2009 Revised FINAL	2010 Proposed DRAFT
33 TOTAL LIMITATION FOR LOCAL TAXES	\$261,957,864	\$265,206,456
34		
35 <u>LESS NON-PROPERTY TAXES:</u>		
36 Payment in Lieu of Taxes (State & Federal)	(870,741)	(919,000)
37 Automobile Tax	(5,500,000)	(5,270,000)
38 Tobacco Tax	(16,300,000)	(16,300,000)
39 Aircraft Tax	(225,000)	(210,000)
40 Motor Vehicle Rental Tax	(4,419,000)	(4,271,327)
41 MUSA/MESA	-	(5,769,732)
42		
43 ALLOWABLE PROPERTY TAX CHARTER LIMIT	\$ 234,643,123	\$ 232,466,397
44		
45 ALLOWABLE PROPERTY TAX SERVICE AREAS	15,704,837	16,474,012
46		
47 TOTAL ALLOWABLE PROPERTY TAX	\$ 250,347,960	\$ 248,940,409
48		
49 PROPERTY TAX RELIEF		
50 SOA Operational Assistance	(18,000,000)	-
51 Allowable Tax Capacity Remaining	-	10,762,249
52		
53 TOTAL PROPERTY TAX TO BE COLLECTED	\$ 232,347,960	\$ 238,178,160

Tool: Debt Refinancing

- Propose to refinance certain General Obligation debt to provide budget relief
 - \$12.5 million in 2010
 - \$10 million in 2011
- \$22.5 million will be repaid over 18 years

Spending: Established Continuation Costs

Departments / Programs	\$	357.6
Labor Contract Increases	\$	11.9
Debt Service	\$	53.3
Police Fire Retirement Fund	\$	12.0
Services Areas (outside cap)	\$	16.7
Total	\$	451.5

\$29 million more than FY 2009

Where to Reduce?

Expenditure Categories

	2009 Budget	% of Budget
Salary & Benefits	\$232.2	55%
Supplies	\$14.6	3%
Travel, Other	\$4.6	1%
Other Services	\$123.0	29%
Debt Service	\$48.1	11%

Budget Development Approach

- Departments asked to identify reductions
 - Cover salary/benefit cost increases
 - 97%, 95%, 93% scenario
- Mayor met with department to review options
 - Focus: minimize impact on services to citizens
- Further discussions, give and take
- Wanted to limit mid-year surprises
 - Pay for obligations we know about
 - Budget realizable savings due to vacancy and turnover

Where We Ended Up: Compared to Continuation

	2010 Continuation	2010 Proposed	Change
Departments	\$ 357.6	\$ 339.5	\$ (18.1)
Labor Contract Increases	\$ 11.9	\$ 11.9	\$ -
Debt Service	\$ 53.3	\$ 40.8	\$ (12.5)
Police/Fire Retirement	\$ 12.0	\$ 12.0	\$ -
Service Areas	\$ 16.7	\$ 16.5	\$ (0.2)
Total	\$ 451.5	\$ 420.7	\$ (30.8)

Where We Ended Up: Compared to 2009

	2009	2010	Change
Departments	\$ 358.9	\$ 339.5	\$ (19.4)
Labor Contract Increases		\$ 11.9	\$ 11.9
Debt Service	\$ 47.8	\$ 40.8	\$ (7.0)
Police/Fire Retirement		\$ 12.0	\$ 12.0
Service Areas	\$ 15.7	\$ 16.5	\$ 0.8
Total	\$ 422.4	\$ 420.7	\$ (1.7)

Where We Ended Up: Position Changes

	2009	2010	Change
Full Time	2,112	1,958	-154
Part Time	119	106	-13
Temp	205	180	-25
Total	2,436	2,244	-192

Traditional Responsibilities Reflected in Choices

■ Fire

- Maintain response times to fire, emergencies
- No more rolling closures starting Jan. 1

■ Police

- No cuts to line officers

■ Street Maintenance

- Maintain clearing streets of snow within current 72 hours

The Bottom Line . . .

Spending

- Budget is \$2 million lower
- Covers \$24 million plus in increases
- Preserves traditional responsibilities to citizens

Revenues

- \$11 million under the tax cap – but property taxes up 2.5% as don't use State assistance for tax relief
- Realistic projections of other revenues
- Debt refinancing provides two years of budget savings

Enterprise, Capital Budgets

- 2010 – 2015 Capital Improvement Plan
- 2010 Capital Improvement Budget
 - Bonds
 - State Grants
- FY 2010 Operating, Capital Budgets
 - Utilities: AWWU, ML&P
 - Enterprises: Port, Merrill Field, SWS, ACDA

2010 Calendar

Date	Event
October 2	Budget submitted to Assembly
October 9	Work Session: Department Budgets
October 13	Assembly: Introduction of Budgets
October 16	Work Session: Department Budgets
October 23	Works Session: Follow-Up as Necessary
October 27	Assembly: Public Hearing #1
November 3	Assembly: Public Hearing #2
November 13	Work Session: Further Discussion, Amendments
November 17	Assembly: Budget Approval

Questions?