

## Overview

### Proposed 2011 General Government Operating Budget

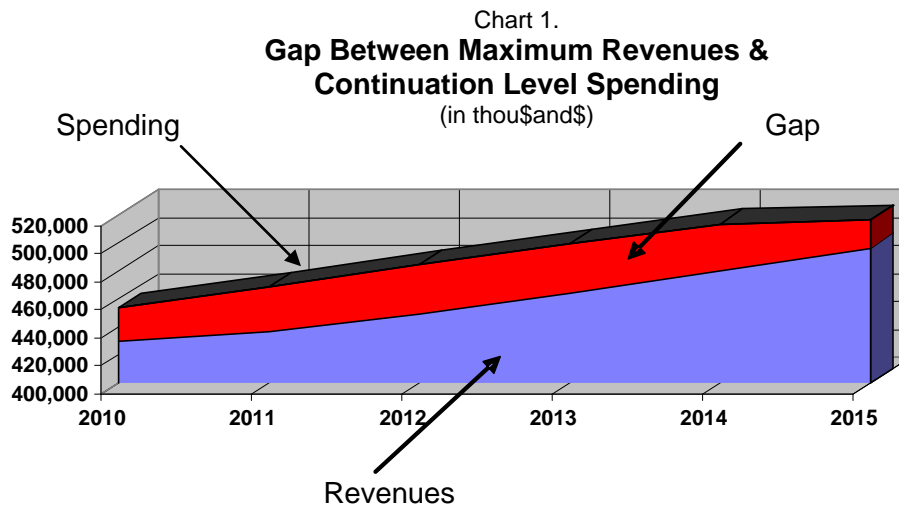
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#### A Look Back

In fall 2009 the Municipality of Anchorage was at an important juncture in the city's fiscal future. It faced dramatic cost increases in not only the 2010 budget, but also every year thereafter due to labor contracts negotiated in 2008 by then-Mayor Begich. The bottom line was that increased cost of salary and benefits for 2010 was \$12 million—with a cumulative increased cost of another \$175 million for the following five years. In addition, another \$12 million had to be paid in 2010 to the Police and Fire Retirement Trust Fund due to its loss in value from poor investment performance due to the global recession and similar extraordinary payments were expected for the next five years.

The context for the 2010 budget was that expected revenue was not enough to cover \$28.6 million in increased costs and the same was true for every year thereafter even if maximum property taxes were collected.

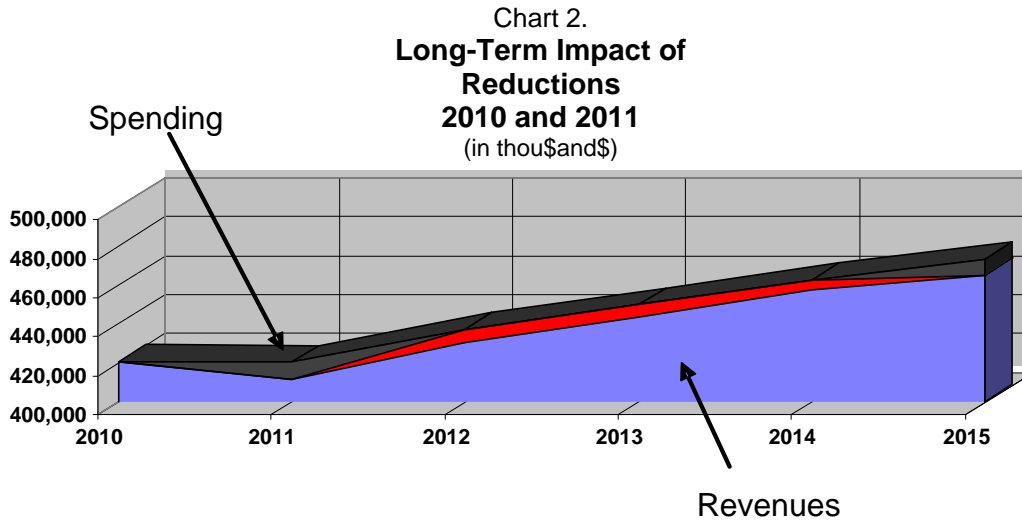
This challenge is illustrated in Chart 1 that identifies the recurring gap between spending and revenue at a continuation level of spending.



Source: 2010-2015 Six Year Fiscal Program

#### **Anchorage didn't have a one-time revenue problem; it had a long-term spending problem.**

As illustrated in Chart 2, in 2009 Mayor Dan Sullivan determined the best approach required that the city reduce spending by \$20 to \$25 million in 2010 and 2011 respectively. This would start the city on a course to attain a budget that it reasonably could afford in future years without dramatic property tax increases.



For the 2010 budget, the Mayor proposed and the Assembly approved \$20 million in spending reductions and limited revenue from property taxes to a three percent increase.

This was step one in securing fiscal stability. The Mayor's proposed 2011 budget takes step two.

### **Meeting the Challenge in 2011**

A continuation level budget, which continues the current level of services, is projected to cost \$28.6 million more than the current year. This is primarily in two areas: salary and benefits (see Appendix C for employee benefit rates and E for incentive pay provisions) and debt service (detailed in Appendix G):

#### **Salary and Benefits - \$16.5 Million Increase**

Just as in 2010, the city again faces significant increases due to salary and benefit increases. The cost for current employees will be \$16.5 million more in 2011 than 2010:

Table 1.  
**2011 Salary and Benefit Increases Compared to 2010**

Organization	2010 Cost	2011 Wage Increase	2011 Benefit Increase	Total Increase	2011 Total Cost	# of Budgeted Employees
AMEA	34,600,668	1,041,764	1,439,823	2,481,587	37,082,255	469
Police	60,178,614	2,259,645	3,026,438	5,286,083	65,464,697	514
Fire	46,695,763	1,450,362	2,016,063	3,466,425	50,162,188	352
IBEW	7,115,788	272,354	265,044	537,398	7,653,186	60
IBEW-Mechanics	2,949,174	73,226	93,951	167,177	3,116,351	31
Local 71 - Laborers	3,166,458	336,379	126,300	462,679	3,629,137	126
Operating Engineers	8,392,469	296,554	330,454	627,008	9,019,477	100
Plumbers & Pipefitters	2,073,165	34,036	61,345	95,381	2,168,546	17
Teamsters	7,774,893	274,775	358,996	633,771	8,408,664	93
Sub-Total	172,946,992	6,039,095	7,718,414	13,757,509	186,704,501	1,762
Non-Represented	43,480,648	610,782	1,329,784	1,940,566	45,421,214	393
Executives	13,401,113	327,388	454,625	782,013	14,183,126	122
<b>Total</b>	<b>229,828,753</b>	<b>6,977,265</b>	<b>9,502,823</b>	<b>16,480,088</b>	<b>246,308,841</b>	<b>2,277</b>

Above is General Government only; does not include utilities or enterprises

Of the \$16.5 million increase, \$7.2 million (44 percent) is due to increased cost of health benefits. Major contributors to this increase are:

- Higher benefit usage and claims experience;
- Increased cost for additional benefits required by President Obama's health care reform due to no lifetime caps and providing coverage to dependents up to age 26; and
- Increase in stop loss insurance coverage and third party administration.

The health insurance increase has translated in an average cost per employee per month of \$337. The actual cost per employee varies based on union contract terms. For 2011 the range in cost will be from \$1846.43 per employee per month for Police employees to \$1466.85 for Teamsters employees. The amount of the increase that employees pay also is defined in their collective bargaining agreements (Appendix D summarizes city/employee sharing of costs). For 2011, the city will cover 90 percent of the increase and employees cover ten percent.

#### Debt Payments - \$14.6 Million Increase

This increase is primarily the result of refunding voter-approved debt in 2010. Refunding is a tool by which debt is restructured and re-payment pushed into outer years. The city was able to save \$12 million in 2010 using this tool, which provided short-term budget relief such as increased costs such for Police and Fire Retirement Trust contribution. The downside, however, is that a substantial increase now is required to bring the city's budget back up to the more typical funding level to pay principal and interest on debt. (Appendix G details 2011 debt service requirements.)

#### **Preliminary 2011 Revenues**

Preliminary revenue estimates project that non-property tax revenue will be about the same as the current year.

In terms of property taxes the Municipal Charter limits how much all tax revenue can increase from one year to the next. Early in the budget's development it became clear that even if the city was to "tax to the cap" (a nine percent increase), there still would not be enough revenue to cover projected increases. More importantly, the Mayor believes it would be unfair to burden taxpayers with a dramatic increase in property taxes, especially during a challenging economic period. The preliminary Tax Cap calculation is on page 15 of this section.

#### **Seeking Citizen Input: Community Budget Dialogues**

Knowing that revenue was going to be substantially insufficient to cover contractual obligations, significant changes in both spending and revenue were needed in order to propose a balanced budget.

Given the size of the challenge, the Mayor wanted to engage citizens in talking about the choices that would be required. This was something he had been unable to do the year before because of the timing of his taking office and the budget development deadlines.

To solicit citizen input, the Mayor convened four community dialogues in August at which citizens learned about the budget challenge and potential choices between spending reductions and increased revenue. Over 350 people came together to discuss the trade-offs between the two.

Out of the dialogue came some key recommendations. Those regarding spending were:

- Anchorage residents don't want large service cuts—instead they want the city to address inefficiencies;
- If cuts must be made, take them from administrative/support services, the Maintenance and Operations Department, and the Police Department; and
- Strong support for maintaining—and if possible expanding—some essential services, such as fire protection, police (after efficiency measures are in place), public transportation, and small departments like Health and Human Services.

Recommendations regarding revenue included:

- Anchorage residents generally are willing to raise taxes to maintain essential services—but not to continue to rely primarily on property taxes;
- Strong support for alcohol excise tax; and
- Support for a sales tax—but there also is strong opposition to a sales tax.

These recommendations were timed to be one of several inputs into the Mayor's decision-making for the 2011 budget. The final report on the dialogues is Appendix N.

### **Proposed 2011 Budget**

As determined in 2009, the Mayor wanted to substantially reduce spending over two years to reach a level the city could reasonably afford and sustain. The 2011 proposed budget represents year two in achieving this goal. It required \$14.8 million in reductions (-3.3 percent) from a continuation level of spending. Even with these reductions, the budget is \$13.8 million (3.3 percent) higher than 2010.

Table 2.

**Mayor's Proposed Budget Compared to 2010 and 2011 Continuation**

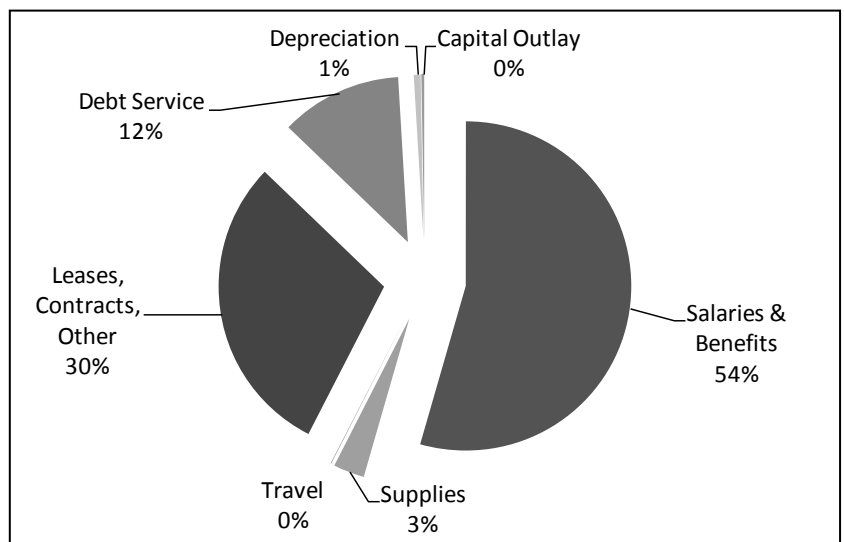
2010 Revised	2011 Continuation	Mayor's Proposed	Mayor's Proposed Compared to 2010	Mayor's Proposed Compared to Continuation
\$421,425,248	\$450,021,178	\$435,216,924	\$13,791,676	(\$14,804,254)

### **Spending Details**

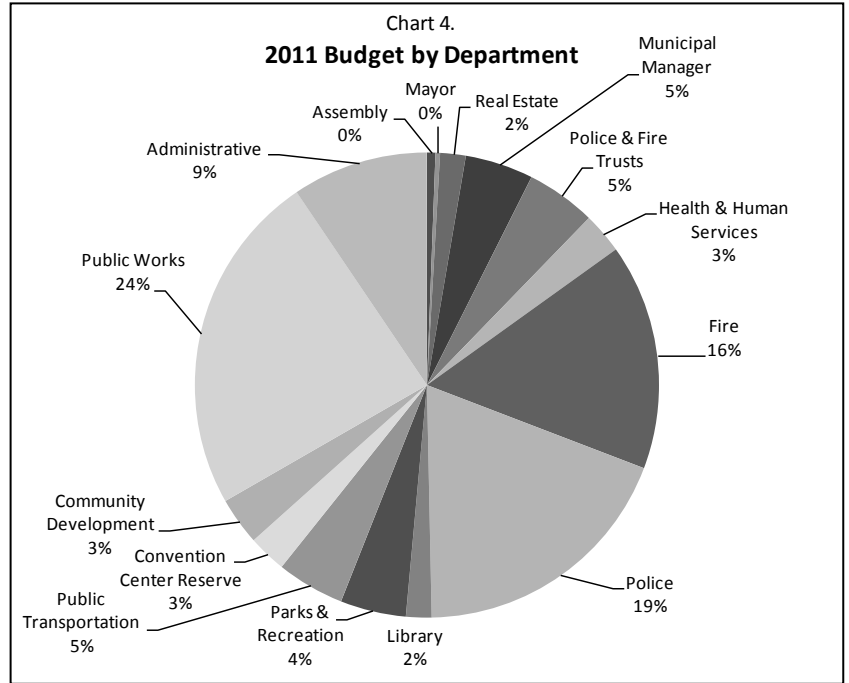
Chart 3 illustrates categories of operating budget spending. The largest is \$237 million for salaries and benefits. The second is \$130 million for leases, contracts for services, utilities and other similar expenses. A breakdown of the categories by department is on Appendix A.

In terms of department share of the budget (Chart 4):

Chart 3.  
**Categories of 2011 Spending**



- Public Works (\$103.7 million, or 24% of the budget) is the largest department. This is a new department that was created by combining the Maintenance and Operations Department, Project Management and Engineering Department, and most of the Traffic Department;
- Police Department is second largest with a \$82.2 million budget plus another \$9.8 million contributed to the Police and Fire Retirement Trust;
- Fire Department is third with a \$68.3 million budget plus \$8.3 million contribution to the Police and Fire Retirement Trust; and



- Administrative is fourth at \$41.2 million and includes budgets of nine departments: Internal Audit, Municipal Attorney, Finance Department (Controller, Treasury, Property Appraisal), Information Technology, Chief Financial Officer, Office of Management and Budget, Employee Relations, Purchasing, and Equal Rights Commission.

### **Property Tax Impact**

In spite of a \$13.8 million increase, the Mayor's proposed budget keeps property taxes relatively flat. Property taxes would increase 1.6 percent (\$3.8 million), which includes \$2.3 million (1 percent) for voter-approved operation and maintenance costs for bond projects. As illustrated in Table 3, the increase for a home with a \$300,000 assessed value is a \$36.00 for the year—less than the price of a tank of gas.

Table 3.  
**Annual Cost of 2011 Property Tax Increase**

	Voter-Approved Debt	General Government Services	Total
Total Property Tax Increase	\$2,305,763	\$1,489,268	\$3,795,031
Increase/\$100,000 Assessed Value	\$7.00	\$5.00	\$12.00
Increase \$300,000 Average Home	\$21.00	\$15.00	\$36.00

Appendices J and K provide historical and preliminary 2011 mill rate information.

### **User Fees**

During the community budget dialogues, support was expressed for users of a service to pay part of the cost. There was sensitivity to the limited financial ability of some but overall there was support for increasing revenue based on choices people make—i.e. use of facilities, fines for breaking the law, and a local tax on alcohol.

Overall, dialogue participants were supportive of people paying more for what they do, not more for what they have.

The proposed 2011 budget includes \$1.7 million in additional revenue from increases to fees. These range from use of recreational facilities, to planning and zoning fees, to elevator inspections, to public transportation fares. These changes will require Assembly approval by passage of an ordinance.

### **Transforming City Government—Getting the Best Bang for the Buck**

Another message from the community dialogues was that citizens like the current level of municipal services—but they want government to be efficient before they are willing to pay increased property taxes.

The Mayor has launched a number of cost-savings initiatives that leverage technology, consolidate resources, and streamline business processes. This year the city provided pay advice on-line instead of delivering print copies to each employee every payday. The city also has moved to on-line notification system for public notices instead of using expensive newspaper advertisements that are experiencing declining readership. In November 2010 employees will update benefit information on-line; previously paper applications were completed that then were entered manually into the electronic personnel system. Additionally, web technology has been exploited to provide easier and faster access to information and basic internal services functionality.

These examples are first steps. Major transformations are underway that further leverage technology to improve efficiency, accountability, and achieve permanent budget savings. Processes scheduled for re-engineering in 2010 and 2011 include:

- Payroll: electronic timesheets and absence management
- Accounts payable: invoice scanning
- Grants processing: electronic workflow
- Accounts receivable, billing, cash management: centralize to achieve economy of scale
- General ledger: centralize to achieve economy of scale
- Purchase requisitions: electronic workflow

The potential for savings from these initiatives is substantial in terms of productivity, improved service, and dollars— with little if any impact on direct services to citizens. A national survey found that 60 percent of organizations that consolidated and re-engineered these types of processes saved two percent or more in costs. A survey by the American Payroll Association found that organizations saved one to three percent of total payroll costs.

While the potential for savings is tremendous, implementation will take time to achieve. It is hoped savings from the electronic timesheet initiative will be realized by spring 2011 as part of the first quarter budget amendment process. Otherwise the Mayor expects savings in the 2012 budget.

### **Accountability for Delivering Results**

Early in 2010 the Mayor launched an initiative by which departments report on the effectiveness of programs. This accountability initiative, called “Anchorage: Performance. Value. Results. (PVR)” reports the “return on investment” to citizens of their tax dollars in services. It is not

sufficient for programs to spend money and do a lot of activities without accountability to the results from that spending.

To report results to citizens, the budget includes the PVR framework for each department and division that includes its purpose, services, goals, performance measures and data that communicates how well the goals are being achieved. Performance measure information will be updated throughout the year and can be viewed at [www.muni.org](http://www.muni.org).

### **Transparency in Budgeting**

In addition to the inclusion of reports about program performance, the 2011 operating budget also provides significant more detail on spending at the department and division level. This includes detailed breakdown on the components of salary and benefit spending (54 percent of the entire budget); details regarding the revenue that supports each department and division, and the types of positions that deliver services.

### **Budgets Impact on Key Services**

Participants in the community dialogues expressed the value they place on current services. Given the size of the 2011 cost increases, every department had to share in making reductions. For the Mayor's budget decision-making, this translated into higher priority services taking less of a percentage in reductions.

### **Administrative Support - \$4.1 million in savings**

A primary focus was first finding administrative-type reductions because of the limited impact that would have on direct services to residents. Dialogue participants also said the first area for reduction should come from administrative-type functions.

As a result, the proposed budget includes \$4.1 million in administrative-type savings in most departments. This includes more than \$600,000 in savings by consolidating six departments into two, creating the new Public Works Department and Community Development Department; cutting middle management positions; savings in utilities, travel, and supply budgets; and shifting the cost of employees to capital projects who will work on the technology initiatives.

The following is additional information about the impact of proposed reductions in areas in several areas that are more "high profile" in public attention. This is not to say that there aren't reductions in other departments and programs.

### **Public Safety**

A government's most basic responsibility to its citizens is protecting them in their home and community.

That priority is reflected in the fact that more than 40 percent of the budget funds the Police and Fire Department and related retirement programs. Given the magnitude of increased salary and benefits for these two departments alone (\$9.1 million), their funding had to be scrutinized along with all other department budgets.

### **Fire Department**

The Fire Department's budget will increase \$1.8 million, which is not enough to cover the \$3.5 million increase in salaries and benefits. The Mayor recognizes public concern with limiting the Fire Department's ability to respond when needed. The

<b>Fire Department Funding</b>	
2010 Revised Budget*	\$ 66,565,553
2011 Proposed Budget	\$ 68,319,107
<b>Increase</b>	<b>\$ 1,753,554</b>
*Reduced by transfer of CSP contract to DHHS.	
Does not include Police/Fire Retirement Trust.	

department ranked potential reductions based on how often a single piece of equipment was called out in 2009.

Table 4.

Fire Station 11 (Eagle River) is served by a ladder truck, engine, tender, and medic unit. The budget proposes to take the ladder truck out of service because it is the least used at 4.6 percent of total calls for fire trucks (see Table 4). All other apparatus at Fire Station 11 will remain in service. Truck 1 (Downtown) and Truck 3 (Airport Heights) will respond as needed.

Truck Call Outs by Station		
Station 1	1,028	20.49%
Station 3	1,395	27.80%
Station 5	1,349	26.88%
Station 12	1,013	20.19%
<b>Station 11</b>	<b>233</b>	<b>4.64%</b>

The other reduction impacts Fire Station 10 that serves Upper Hillside/Bear Valley. The budget proposes to take Engine 10 out of service, again based on its utilization. In 2009 it responded to 1.2 percent (see Table 5) of the department's calls. Current plans are for the Station's other piece of equipment, a tender that carries a large supply of water, to remain. Response will continue to be provided by Engine 9 (Huffman) and Engine 8 (O'Malley).

Table 5.

Engine Call Outs by Station		
Station 5	3,091	12.58%
Station 3	2,901	11.80%
Station 4	2,885	11.74%
Station 2	2,753	11.20%
Station 6	2,460	10.01%
Station 1	2,337	9.51%
Station 12	1,745	7.10%
Station 7	1,534	6.24%
Station 14	1,487	6.05%
Station 9	1,175	4.78%
Station 11	849	3.45%
Station 8	537	2.18%
Station 15	533	2.17%
<b>Station 10</b>	<b>293</b>	<b>1.19%</b>

The total savings is \$3.2 million with the elimination of 24 positions, of which 16 are currently vacant.

Of note is that the Fire Department has applied for a Federal "Staffing for Adequate Fire and Emergency Response Grant (SAFER)" grant that could provide \$2.4 million in funding in 2011 and \$2.7 million in 2012. The grant program helps fire departments increase the number of trained front-line firefighters. The department also has applied for a State of Alaska training and employment (STEP) grant to fund an academy.

### Police Department

The Police Department's budget will increase \$2.8 million, which covers about half of the \$5.3 million increase in salaries and benefits for the current number of sworn and non-sworn staff.

Community dialogue participants noted that even the Police Department should look to where it can gain efficiencies and suggested one option would be to not have five or six patrol cars respond to small accidents.

Police Department Funding	
2010 Revised Budget	\$ 79,353,141
2011 Proposed Budget	\$ 82,150,870
<b>Increase</b>	<b>\$ 2,797,729</b>
Does not include Police/Fire Retirement Trust.	

Another option is to analyze if current resources are being deployed effectively and efficiently. The Police Executive Research Forum (PERF) recently completed an analysis that made recommendations on how the department could better allocate resources to implement proactive community policing. PERF recognized the city's budget restraints and recommended efficiencies and savings. One recommendation was to reduce the number of detectives because of a lighter-than-national-average workload from the current level of 44.

The proposed budget takes several steps toward implementing this and other PERF recommendations. It returns a combination of detectives and traffic officers to patrol, who will



take the place of 12 junior officers that will be laid off based on seniority as prescribed by the union contract. Senior patrol officers also will be promoted to sergeant as recommended by the PERF report that will enhance patrol and provide additional supervision.

The combined savings of these changes plus deletion of ten vacant positions is \$2.4 million. The department has applied for a \$3.2 million grant under the Federal COPS grant, which would provide funding for 11 officers for three years. A decision is expected by September 30, just as the Mayor's budget is submitted to the Assembly.

#### Public Transportation

The proposed budget makes changes to the frequency of service on several routes as noted in Table 6. Peak travel passengers should not see more than a 30 minute change from current service; non-peak travelers should experience no more than a 60 minute change on routes impacted by these changes. These schedule changes will save \$380,000.

#### Library

While this year marked the opening of the new Mountain View Library, the proposed budget closes the Samson-Dimond branch located at the Dimond Mall. The Library Community Plan found that people in the Dimond area were more willing to drive to a library, which will most likely be the Loussac Library, located in mid-town. Total savings is \$431,125 and five staff positions plus \$134,640 for the library's lease that is budgeted in the Real Estate Department.

#### Parks and Recreation

The department's 2011 budget is \$570,000 above the current year.

Reductions totaling \$880,000 are proposed to cover increased salary and benefit costs, two of which are in the Aquatics program:

- Cancel morning lap swims at Dimond and West Pools for a \$103,200 savings. The cost per participant per participant hour is among the highest of pool activities and the least

Table 6. Bus Schedule Changes		
~ Select non-peak service is eliminated, which will mean:		
Route	Current Service	Change in Service that will require:
1	9:10 p.m. westbound	Catching the bus at 8:10 a.m.
2	5:45 a.m. inbound	Catching the bus at 6:15 a.m.
2	5:30 a.m. outbound	Catching the bus at 6:30 a.m.
3	6:20 a.m. outbound	Catching the bus at 6:50 a.m.
13	10:17 p.m. inbound	Catching the bus at 9:17 p.m.
13	6:35 a.m. outbound	Catching the bus at 7:05 a.m.
15	10:10 p.m. inbound	Catching the bus at 9:20 p.m.
15	6:40 a.m. outbound	Catching the bus at 7:10 a.m.
36	6:00 a.m. inbound	Catching the bus at 6:30 a.m.
36	9:55 p.m. inbound	Catching the bus at 8:55 p.m.
36	10:40 p.m. outbound	Catching the bus at 10:00 p.m.
~ One peak hour trip is eliminated, which will mean:		
Route	Current Service	Change in service will require:
8	6:47 a.m. inbound	Catching the bus at 6:17 a.m. or 7:17 a.m.
36	4:35 p.m. outbound	Catching the bus at 4:05 p.m. or 5:05 p.m.
102	4:33 p.m. outbound	Catching the bus at 4:18 p.m. or 4:48 p.m.
~ Route 45G, that currently operates between downtown and Mountain View, is eliminated but service will continue to be available on other routes at the following times, which will mean:		
	Current Service	Change in service will require:
	8:31 a.m.	Catching the bus at 8:16 a.m. or 8:46 a.m.
	11:25 a.m.	Catching the bus at 11:15 a.m. or 11:45 p.m.
	11:56 a.m.	Catching the bus at 11:45 a.m. or 12:15 p.m.
	12:26 p.m.	Catching the bus at 12:15 p.m. or 12:45 p.m.
	12:56 p.m.	Catching the bus at 12:45 p.m. or 1:15 p.m.
	1:26 p.m.	Catching the bus at 1:15 p.m. or 1:45 p.m.
	3:30 p.m.	Catching the bus at 3:15 p.m. or 3:45 p.m.
	6:30 p.m.	Catching the bus at 6:15 p.m. or 7:15 p.m.
	8:45 p.m.	Catching the bus at 8:15 p.m. or 9:15 p.m.

attended. The two-hour swims average 10 to 15 swimmers per session, resulting in less than 25 percent of operation costs.

- Close Service Pool in the summer and limit Bartlett Pool operation hours to long-course training and swim meets for a \$47,690 savings. This decision was based on participation as noted in Table 7. An option for Service Pool's daily lap and weekly open swim will be at East, Dimond, and West Pools. Summer staff will be transferred to the lake to cover waterfront operations and year-round pool staff will replace the summer seasonal staff.

Table 7.

Monthly Swim Participation		
	<u>Service</u>	<u>Dimond</u>
Oct-09	3,809	6,149
Nov-09	1,026	5,759
Dec-09	967	4,388
Jan-10	1,989	5,323
Feb-10	2,242	6,150
Mar-10	2,616	6,035
Apr-10	3,058	6,492
May-10	2,154	4,130
Jun-10	1,609	3,802
Jul-10	1,584	3,035

### Impact on Number of Employees

A total of 110 positions are eliminated in the proposed 2011 budget. As noted in Table 9, 56 positions are vacant and 54 are filled. Of these 54, four

Table 8.

Change in Positions	
Filled	-54
Vacant	-56
<b>Total</b>	<b>-110</b>
<i>Of the filled positions 23 are being transferred to grants (4) or capital projects (19) for a net loss of 31.</i>	

Department of Health and Human Services' positions are being shifted from the operating budget to be paid by an increase in a State of Alaska grant. Partial funding for another 19 positions is being shifted to technology transformation capital project funding. The net number of deleted filled positions is 31.

### 2011 Revenue

The \$435.2 million budget relies on several sources of revenue as illustrated in Chart 5. Property taxes support 55 percent of the budget, which is one percent less than in 2010.

#### Property Taxes (Real and Personal)

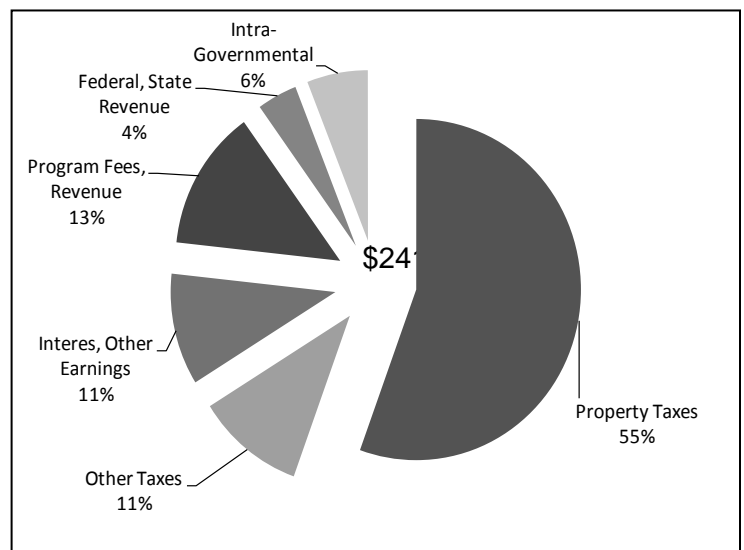
The maximum amount of property taxes that can be collected in 2011 as established by the Tax Cap formula is \$252.8 million. Total proposed property taxes in 2011 is \$241.1 million, which is \$11.7 million under the Tax Cap. This is a 1.6 percent increase above 2010 that includes \$918,000 approved by voters for bond project operation and maintenance cost.

#### Non-Property Taxes

Revenue from other taxes is projected to increase \$2.6 million above the level budgeted in 2010.

Totals to be collected are:

Chart 5.  
2011 Revenue Sources 2011  
\$435.2 Million



- Automobile Registration Tax - \$5.1 million. A \$116,000 increase is expected in 2011 compared to the amount budgeted in 2010;
- Tobacco Tax - \$16.3 million. The same amount as projected for 2010 based on the current tax rate;
- Aircraft Registration Tax - \$420,000. The Mayor is proposing to increase the registration tax in 2011 from \$75 to \$150 for single engines and \$125 to \$250 for twin engine aircraft; current rates were set in 1994;
- Motor Vehicle Rental Tax - \$4.7 million. A small increase of \$395,000 is projected; and
- Room Tax - \$19.2 million. This is a \$1.9 million increase.

Interest, Other Earnings - \$46.4 million

An overall increase of \$2.3 million is budgeted for 2011 when compared with 2010. Of this, \$1.4 million is from the Anchorage School District to pay the cost of the Police Department's School Resource Officers. In 2009, the Anchorage School District covered 50 percent of this cost; with this increase the district now will pay the full cost.

A \$200,000 decrease is projected in the MOA Trust Fund dividend. The Trust Fund was created in April 2002 when the city sold its telephone utility. Voters approved converting the fund into an endowment that changed the annual dividend calculation. Since 2004 the annual payout has been based on a five-percent payout formula, under which the dividend was \$6.4 million in 2009, however because of the stock market collapse, the Assembly determined the 2010 dividend should be four percent that resulted in a payment of \$5.1 million. The payment for 2011 is estimated to be \$4.9 million.

Program-Generated Fees and Fines - \$53.5 million

Program-generated revenues are expected to be about \$2.7 million more than 2010.

This category of revenue ranges from building plan review and permits (\$5 million), library book fines (\$290,000), reimbursement from the State of Alaska to maintain traffic signals (\$1.7 million), parking enforcement fines (\$632,000), ambulance fees (\$5.6 million), and E-911 fees (\$7.2 million).

An increase of \$1.3 million in court fine revenue is anticipated due to the success of the city's Treasury Division in its work with a collection agency with which the city contracts. This includes an aggressive collection of amounts due the city through garnishment of Permanent Fund Dividends.

For 2011, the Mayor also is proposing changes in some current fees and fines, which will result in an additional \$1.7 million revenue. These changes will be proposed in a separate ordinance that will require Assembly approval. Revenue from these changes is already included in the budget.

Federal/State Revenues - \$16.6 million

This category increases by \$1 million due to receipt of an interest subsidy on our debt payments from the Federal "Build America Bonds" program. Other examples of revenue in this category include Payment-in-Lieu-of-Taxes from the State and Federal government (\$919,000), which compensate the City for non-taxable land owned within Anchorage's boundaries.

It is important to note that the General Government operating budget does not include grants that are received from the State and Federal government for specific services.

Intra-governmental Charges (IGCs) - \$ 26.1 million

These are charges for services provided by one Municipal organization to another. By using an intra-governmental charge system, the full cost of a program, including overhead, is associated to a program. It also allows general government to charge utilities, grants, capital projects, and city-owned utilities for administrative-type services it provides that then is revenue to the city.

**For More Information**

The 2011 proposed budget was submitted to the Assembly on October 1. The Assembly will conduct work sessions throughout October and November to learn more about the proposed changes. The public is welcome to attend the work sessions, which will be held in the Mayor's Conference Room on the 8<sup>th</sup> floor of city hall. Information presented at the work sessions by the Administration will be available at [www.muni.org](http://www.muni.org). The Assembly also will hold three public hearings at the Assembly Chambers. The schedule is:

<u>Work Sessions</u>		<u>Assembly Public Hearings</u>
October 1	Noon to 1:30 p.m.	October 26
October 22	11 a.m. to 2 p.m.	November 9
November 5	11 a.m. to 2 p.m.	November 23
November 12 (tentative)	Noon to 2 p.m.	December 7 (approval)
November 19	Noon to 2 p.m.	
December 5 (amendments)	Noon to 2 p.m.	

# Summary Reconciliation of 2010 Revised to 2011 Proposed

Department	Continuation Level Adjustments					Continuation Level	Additional Changes	2011 Proposed Budget	%Δ
	2010 Revised Budget	Salary, Benefits	All Other	Subtotal					
Assembly	\$ 2,604,642	\$ 16,328	(50,000)	\$ (50,003)	\$ 2,554,639	\$ -	2	\$ 2,554,641	-2%
Chief Fiscal Officer	479,038	-	-	-	495,366	-	(10,000)	485,366	1%
Community Development	-	-	-	-	-	-	14,405,356	14,405,356	100%
Community Planning and Dev	9,182,956	36,697	95,710	132,407	9,315,363	-	(9,315,363)	-	-
Development Services	8,720,729	582,588	-	582,588	9,303,317	-	(9,303,317)	-	-
Employee Relations	2,441,933	108,037	30,000	138,037	2,579,970	-	(188,163)	2,391,807	-2%
Employee Relations - Police/Fire Medical	2,785,656	-	124,498	124,498	2,910,154	-	-	2,910,154	4%
Equal Rights Commission	662,473	101,220	-	101,220	763,693	-	(85,954)	677,739	2%
Finance	11,581,351	580,763	-	580,763	12,162,114	-	(393,963)	11,768,151	2%
Fire	67,800,263	3,743,627	1,050,744	4,794,371	72,594,634	-	(4,275,528)	68,319,106	1%
Fire - Police/Fire Retirement	9,160,205	-	-	-	9,160,205	-	(828,499)	8,331,706	-9%
Health and Human Services	11,362,252	367,948	114,955	482,903	11,845,155	-	516,573	12,361,728	9%
Information Technology	15,358,821	566,669	-	566,669	15,925,490	-	(486,581)	15,438,909	1%
Internal Audit	536,246	27,267	-	27,267	563,513	-	(27,751)	535,762	0%
Library	7,605,225	430,790	-	430,790	8,036,015	-	(327,640)	7,708,375	1%
Maintenance and Operations	80,733,712	278,838	10,462,934	10,741,772	91,475,484	-	(91,475,484)	-	-
Management and Budget	934,047	28,459	-	28,459	962,506	-	(50,007)	912,499	-2%
Mayor	1,402,970	49,069	-	49,069	1,452,039	-	(60,000)	1,392,039	-1%
Municipal Attorney	7,124,401	301,522	-	301,522	7,425,923	-	(251,870)	7,174,053	1%
Municipal Manager	12,003,079	82,720	245,526	328,246	12,331,325	-	8,307,567	20,638,892	72%
Parks and Recreation	19,363,114	810,661	501,306	1,311,967	20,675,081	-	(741,293)	19,933,788	3%
Planning	3,977,162	163,206	-	163,206	4,140,368	-	(4,140,368)	-	-
Police	79,353,141	5,339,538	(71,300)	5,268,238	84,621,379	-	(2,470,509)	82,150,870	4%
Police - Police/Fire Retirement	10,713,142	-	-	-	10,713,142	-	(889,780)	9,823,362	-8%
Proj. Mngmnt & Eng	8,004,728	232,629	-	232,629	8,237,357	-	(8,237,357)	-	-
Public Transportation	20,335,318	837,153	108,149	945,302	21,280,620	-	(752,936)	20,527,684	1%
Public Works	-	-	-	-	-	-	103,688,798	103,688,798	100%
Purchasing	1,522,111	64,989	-	64,989	1,587,100	-	(100,560)	1,486,540	-2%
Real Estate	8,017,974	42,294	(171,376)	(129,082)	7,888,892	-	(134,637)	7,754,255	-3%
Traffic	6,817,853	357,135	-	357,135	7,174,988	-	(7,174,988)	-	-
	\$ 410,584,543	\$ 15,150,144	\$ 12,441,145	\$ 27,591,289	\$ 438,175,832		(\$14,804,252)	\$ 423,371,580	
Convention Center Reserve and TANS Areawide Expense									
Total 2011 Proposed Budget								\$ 435,216,924	

# Summary Reconciliation of 2010 Revised to 2011 Proposed with Re-Org Details

Department	2010 Revised Budget	2010 Reorg	2010 Revised Pro Forma	Continuation Level Adjustments	Continuation Level	Additional Changes	2011 Proposed Budget	%Δ
Assembly	\$ 2,604,642	\$ -	\$ 2,604,642	\$ (50,003)	\$ 2,554,639	\$ 2	\$ 2,554,641	-2%
Chief Fiscal Officer	479,038	-	479,038	16,328	495,366	(10,000)	485,366	1%
Community Development	-	13,811,761	13,811,761	763,967	14,575,728	(170,372)	14,405,356	4%
Community Planning and Dev	9,182,956	(9,182,956)	0	-	0	(0)	-	-
Development Services	8,720,729	(8,720,729)	(0)	-	(0)	0	-	-
Employee Relations	2,441,933	-	2,441,933	138,037	2,579,970	(188,163)	2,391,807	-2%
Employee Relations - Police/Fire Medical	2,785,656	-	2,785,656	124,498	2,910,154	-	2,910,154	4%
Equal Rights Commission	662,473	-	662,473	101,220	763,693	(85,954)	677,739	2%
Finance	11,581,351	-	11,581,351	580,763	12,162,114	(393,963)	11,768,151	2%
Fire	67,800,263	-	67,800,263	4,794,371	72,594,634	(4,275,528)	68,319,106	1%
Fire - Police/Fire Retirement	9,160,205	-	9,160,205	-	9,160,205	(828,499)	8,331,706	-9%
Health and Human Services	11,362,252	-	11,362,252	482,903	11,845,155	516,573	12,361,728	9%
Information Technology	15,358,821	-	15,358,821	566,669	15,925,490	(486,581)	15,438,909	1%
Internal Audit	536,246	-	536,246	27,267	563,513	(27,751)	535,762	0%
Library	7,605,225	-	7,605,225	430,790	8,036,015	(327,640)	7,708,375	1%
Maintenance and Operations	80,733,712	(80,733,712)	0	-	0	(0)	-	-
Management and Budget	934,047	-	934,047	28,459	962,506	(50,007)	912,499	-2%
Mayor	1,402,970	-	1,402,970	49,069	1,452,039	(60,000)	1,392,039	-1%
Municipal Attorney	7,124,401	-	7,124,401	301,522	7,425,923	(251,870)	7,174,053	1%
Municipal Manager	12,003,079	9,182,957	21,186,036	330,450	21,516,486	(877,594)	20,638,892	-3%
Parks and Recreation	19,363,114	-	19,363,114	1,311,967	20,675,081	(741,293)	19,933,788	3%
Planning	3,977,162	(3,977,162)	0	-	0	(0)	-	-
Police	79,353,141	-	79,353,141	5,268,238	84,621,379	(2,470,509)	82,150,870	4%
Police - Police/Fire Retirement	10,713,142	-	10,713,142	-	10,713,142	(889,780)	9,823,362	-8%
Proj. Mngmnt & Eng	8,004,728	(8,004,728)	0	-	0	(0)	-	-
Public Transportation	20,335,318	-	20,335,318	945,302	21,280,620	(752,936)	20,527,684	1%
Public Works	-	94,442,422	94,442,422	11,443,566	105,885,988	(2,197,190)	103,688,798	10%
Purchasing	1,522,111	-	1,522,111	64,989	1,587,100	(100,560)	1,486,540	-2%
Real Estate	8,017,974	-	8,017,974	(129,082)	7,888,892	(134,637)	7,754,255	-3%
Traffic	6,817,853	(6,817,853)	(0)	-	(0)	0	-	-
	<b>\$ 410,584,543</b>	<b>\$ -</b>	<b>\$ 410,584,543</b>	<b>\$ 27,591,290</b>	<b>\$ 438,175,833</b>	<b>(\$14,804,253)</b>	<b>\$ 423,371,580</b>	
Convention Center Reserve and TANS Areawide Expense								11,845,344
Total 2011 Proposed Budget								<b>\$ 435,216,924</b>

## Personnel Summary by Department

Department	2010 Revised Budget					2011 Proposed Budget				
	FT	PT	Seas	Temp	Total	FT	PT	Seas	Temp	Total
Assembly	23	-	-	-	23	23	-	-	-	23
Chief Fiscal Officer	2	-	-	-	2	2	-	-	-	2
Development Services	65	1	-	-	66	-	-	-	-	-
Community Development	-	-	-	-	-	103	2	-	-	105
Community Planning and Development	5	-	-	-	5	-	-	-	-	-
Employee Relations	18	1	-	-	19	16	4	-	-	20
Equal Rights Commission	6	2	-	-	8	5	2	-	-	7
Finance	101	1	-	-	102	84	16	-	-	100
Fire	376	2	-	-	378	354	2	-	-	356
Health and Human Services	61	7	1	-	69	54	7	1	-	62
Information Technology	77	-	-	-	77	58	17	-	-	75
Internal Audit	4	1	-	-	5	4	1	-	-	5
Library	69	28	-	-	97	64	29	-	-	93
Maintenance and Operations	157	1	-	31	189	-	-	-	-	-
Management and Budget	7	-	-	-	7	6	1	-	-	7
Mayor	9	-	-	-	9	7	1	-	-	8
Municipal Attorney	56	1	-	-	57	53	4	-	-	57
Municipal Manager	14	2	-	-	16	16	2	-	-	18
Parks and Recreation	82	56	140	27	305	70	49	155	33	307
Planning	31	-	-	-	31	-	-	-	-	-
Police	545	-	-	-	545	522	-	-	-	522
Project Management and Engineering	56	1	-	-	57	-	-	-	-	-
Public Transportation	146	-	-	-	146	142	-	-	-	142
Public Works						245	2	16	4	267
Purchasing	13	-	-	-	13	12	1	-	-	13
Real Estate	8	-	-	-	8	8	-	-	-	8
Traffic	45	1	-	5	51	-	-	-	-	-
Total General Government	1,976	105	141	63	2,285	1,848	140	172	37	2,197

**Preliminary 2011  
Tax Limit Calculation  
October 1, 2010**

Line		2010	2011
		Revised	Proposed
1	<u>PRIOR YEAR LOCAL TAXES:</u>		
2	Real/Personal Property Taxes Assessed	\$ 234,643,123	\$ 221,394,860
3	Payment in Lieu of Taxes (State & Federal)	870,741	919,000
4	Automobile Tax	5,500,000	4,984,000
5	Tobacco Tax	16,300,000	16,300,000
6	Aircraft Tax	225,000	210,000
7	Motor Vehicles Rental Tax	4,419,000	4,271,327
8	MUSA/MESA	-	6,328,914
9	Total Prior Year Local Taxes	\$ 261,957,864	\$ 254,408,101
10			
11	<u>LESS PRIOR YEAR ONE-TIME EXCLUSIONS:</u>		
12	Taxes Authorized by Voter-Approved Ballot - O&M Reserves (One-Time	(440,000)	(440,000)
13	Judgments/Legal Settlements (One-Time)	(83,345)	(539,824)
14	Debt Service (One-Time)	(47,823,086)	(35,582,194)
15		\$ 213,611,433	\$ 217,846,083
16	<u>ADJUSTMENT FACTORS</u>		
17	Population 5 Year Average	0.90% 1,922,500	1.10% 2,396,310
18	<u>Change in Consumer Price Index 5 Year Average</u>	2.90% 6,194,730	2.70% 5,881,840
19	Total	3.80% 8,117,230	3.80% 8,278,150
20	Total Base Local Taxes Allowed	\$ 221,728,663	\$ 226,124,233
21			
22	<u>PLUS CURRENT YEAR EXCLUSIONS:</u>		
23	New Construction	2,326,260	1,525,960
24	Taxes Authorized by Voter-Approved Ballot - O&M	1,977,471	477,916
25	Taxes Authorized by Voter-Approved Ballot - O&M Reserves (One-Time	440,000	440,000
26	Judgments/Legal Settlements (One-Time)	539,824	25,050
27	Debt Service (One-Time)	35,582,194	49,153,621
28	TOTAL LIMITATION FOR LOCAL TAXES	\$ 262,594,412	\$ 277,746,780
29			
30	<u>LESS NON-PROPERTY TAXES:</u>		
31	Payment in Lieu of Taxes (State & Federal)	(919,000)	(919,000)
32	Automobile Tax	(4,984,000)	(5,100,000)
33	Tobacco Tax	(16,300,000)	(16,300,000)
34	Aircraft Tax	(210,000)	(420,000)
35	Motor Vehicle Rental Tax	(4,271,327)	(4,666,128)
36	MUSA/MESA	(6,328,914)	(13,560,666)
37			
38	PROPERTY TAX CHARTER LIMIT ALLOWABLE	(A) \$ 229,581,171	(A) \$ 236,780,986
39	Amount below Tax Cap	(8,186,311)	(11,429,063)
40	PROPERTY TAX CHARTER LIMIT TO BE COLLECTED	(B) \$ 221,394,860	(B) \$ 225,351,923
41			
42	PROPERTY TAX SERVICE AREAS ALLOWABLE	(C) 15,900,271	(C) 15,747,722
43			
44	TOTAL PROPERTY TAX ALLOWABLE	(A+C) \$ 245,481,442	(A+C) \$ 252,528,708
45			
46	TOTAL PROPERTY TAX TO BE COLLECTED	(B+C) \$ 237,295,131	(B+C) \$ 241,099,645