

Utility/Enterprise Budget Process and Procedures

Utility/Enterprise Departments

Anchorage Hydropower, Anchorage Water & Wastewater (AWWU), and Solid Waste Services (SWS) are utility departments; Merrill Field Airport and the Port of Alaska (Port) are enterprise departments. Many of the basic services Anchorage residents rely on daily: safe water, power generation, safe and efficient delivery of goods, come from municipal-owned utilities and enterprise departments.

The goal of the utilities/enterprise departments is to continue to provide quality service at reasonable rates. These departments continue to meet debt service requirements, prudently increase equity, adequately maintain cash reserves, and generate sufficient revenue to maintain their plants in good working condition. The primary source of revenue required to support the operating and capital budget comes from rate payers or users of their respective services. The budget is presented for a calendar year, in line with the Municipality's fiscal year.

Governance

The authority for operation and management of the utility/enterprise departments is under the control of the Mayor.

Port and SWS established a commission to provide guidance to the Mayor and Assembly in regards to each entity's strategic plan, budget, policies, economic impacts, expansions, and improvements. (AMC 4.70.10).

AWWU established a Board of Directors to provide guidance to the Mayor and Assembly in regards to AWWU's strategic plan, long term fiscal plan, budget, tariff rates, and fees. (AMC 4.80.020).

Merrill Field Airport established Municipal Airports Aviation Advisory Commission to provide recommendations to the Mayor and Assembly on all matters pertaining to the annual operating budget, rules, regulations, and administrative guidelines (AMC 4.60.160).

The Regulatory Commission of Alaska (RCA) regulates Anchorage Hydropower Utility and AWWU and by approving all rates and tariffs prior to implementation. They also regulate service areas and quality.

Utility/Enterprise Accounting

The accrual basis of accounting is used for utility/enterprise funds. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the period incurred, if measurable.

The manageable direct cost budget allocates spending among several categories: labor (salaries and benefits); non-labor (supplies, travel, contracts, etc.); contributions; debt service; and non-cash accounts such as depreciation and amortization, which are not appropriated. Each department is responsible for managing and monitoring their respective budget at these category levels. The function cost budget includes interfund charges for general government services to the total direct cost budget. Actual expenses may not exceed function cost budget appropriations at the enterprise and utility fund levels (AMC 6.10.036).

The Assembly may, by resolution, reduce or increase appropriations during the course of the fiscal year. A resolution reducing or increasing appropriations by an amount in excess of \$100,000 shall be subject to a public hearing (AMC 6.10.085).

The Office of Management & Budget (OMB) is authorized to transfer budget amounts within the appropriated departments and funds. Revisions that change the total expenditures of any department or fund must be approved by the Assembly. Operating appropriations that are not expended, encumbered, or designated to be carried over, lapse at the end of the fiscal year.

Municipal Utility/Enterprise Service Assessment (MUSA/MESA)

Each year, payments-in-lieu of taxes are included in the operating budgets for the utility/enterprise departments to cover the cost of tax supported services they receive, other than services received on a contract or interfund basis. It is the public policy to require the utilities (AWWU and SWS) to pay a municipal utility service assessment (MUSA). Merrill Field and the Port are required to pay a municipal enterprise service assessment (MESA). Anchorage Hydropower is not held to this requirement, as the assets are outside of the Municipal rate payers service area.

The MUSA shall be calculated by applying the millage rate established annually for each service area by the assembly to the net classified plant in service as of January 1 of the current year of each utility. Net book value of plant will be the MUSA basis for the refuse collection utility and solid waste disposal utility. The millage rate so established will be that rate assessed other owners of real, personal and business property in each service area. Payment must be made on or before July 15th of each calendar year. (AMC 26.10.025)

The MESA shall be calculated by applying the value of adjusted plant in service multiplied by the annual mill rate. Adjusted plant in service means the final, year-end, audited net classified non-contributed plant in service value, less exclusions specified, for the calendar year preceding the mill rate year. Payment shall be made on the first business day of July of each calendar year. (AMC 11.50.280)

Utility/Enterprise Revenues

Utility/enterprise departments are operated in a manner as to provide a reasonable profit in accordance with applicable regulatory provisions and law. Surplus revenues from operations are to be reinvested in the department. If a municipal utility has or is anticipated to have net income accruing from its operations in any year, a portion of the net income may be pledged by inclusion in the respective municipal utility and general government budgets for the subsequent year. The pledged amount shall be described as "Utility Revenue Distribution."

The Assembly shall hold a public hearing as part of the annual budget process on the proposed Utility Revenue Distribution and use of funds. Payment of any approved and budgeted Utility Revenue Distribution shall be made in two equal payments on or before the 15th calendar day of August and October of such subsequent year only after the income has been collected by the municipality pursuant to lawful authority and the annual audit has been completed. (AMC 26.10.065).

Operating revenues are collected from rate payers for operating activities and services provided. Examples of some of the services provided from rate collections include: electricity, clean water, airport tie-downs, recycling collections, and dock revenue. Non-Operating revenues are earned from activities such as: operating grants, interest income, and unrealized gains/losses.

Utility/Enterprise Capital

The Municipality has two documents that govern planning and funding of capital projects:

- Capital Improvement Budget (CIB) – identifies projects and funding sources for the upcoming fiscal year; and
- Capital Improvement Program (CIP) – a longer-term outlook that identifies projects for the next six years, including the upcoming fiscal year.

Once approved by the Assembly, the amount of specific appropriations, project descriptions, and budget years for individual projects within the CIB/CIP are considered permanent legislative actions of the Assembly and may be altered in subsequent years only by majority vote of the Assembly (AMC 6.10.045).

The funding sources that are obtained for the capital projects could be: debt, State/Federal grants, and/or equity. Most utility/enterprise department capital projects are funded by equity, but can be funded by multiple sources.

Budget Planning and Timeline

The Mayor is required to submit the proposed enterprise/utilities operating and capital budgets to the Assembly 90 days prior to the end of the fiscal year (October 2nd) (AMC 13.03).

Prior to that (120 days prior to the end of the fiscal year), the Administration is required to provide preliminary information on the capital budget/capital program, business plans, update to utility/enterprise strategic plans, and major reorganizations (AMC 6.10.040).

| Key Dates in Budget Process | |
|------------------------------------|---|
| Summer | Preliminary budget information gathered |
| September 2 | Preliminary budget information to Assembly |
| October 2 | Mayor proposed budgets |
| October, November | Assembly deliberates, holds public hearings |
| December | Deadline for Assembly approval |
| April | First Quarter budget revisions |

Preparation of the budget starts much earlier. A preliminary planning phase gets underway in the summer. OMB works with departments in reviewing their programs and responsibilities, assessing what is being done during the current year, and assisting in making plans for the next budget year in line with Administration goals. Some considerations during this phase are:

- Contractually obligated increases, such as labor contracts and health insurance premiums;
- New facilities that will open during the next fiscal year that will 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 ineffective, no longer required, or desired; and/or
- Efficiencies and savings that can be achieved through organizational management.

During this period of time, OMB also reviews projected revenue information in order to get an early indication of the Municipality's ability to afford current spending levels and/or the potential need for reductions.

Mayor Proposes/Assembly Appropriates

The Mayor submits the proposed operating and capital budgets to the Assembly in early October, the Assembly holds public work sessions at which the Administration and department directors discuss the Mayor's proposal.

Public Comment

The budget books are available on the Office and Management and Budget's website: <http://www.muni.org/Departments/budget/Pages/default.aspx> for the public to view. The Assembly is required to hold two public hearings on the Mayor's proposed budget, which is the official opportunity for the public to comment and for the Assembly to consider amendments. These are usually held during October and November. The Anchorage Charter requires that the Assembly approve the budget 21 days before the end of the year (by December 10). But if for some reason they still have not reached agreement, the Charter was amended to allow the Assembly and Mayor to continue to work. Once agreement is reached, that budget is known as the "Approved Budget."

Veto Process

The Mayor has the ability to strike or reduce an appropriation in the operating or capital budget within 7 days from Assembly action. The Assembly then has 21 days from the Mayor's veto to override his/her action and must have a super-majority of 8 Assembly members to be successful. If a veto is sustained, the Mayor's action is implemented (AMC 5.02.c).

First Quarter Budget Amendments

During the spring following the budget's approval, the Administration finalizes the prior year's spending numbers and firms up revenues available to support the current year budget. This process, called "First Quarter Budget Amendments," takes place in April and May and results in the Assembly's approval of a "Revised Budget."

Unlike the proposed budget process in the fall that requires two public hearings, the first quarter amendment process only requires one public hearing and usually is at the Assembly meeting that follows the Mayor's introduction of the proposed amendments.

Based on these final spending decisions for general government, the Assembly then sets the tax rates for each service area.

Budget Monitoring, Controls, and Reporting

Each utility/enterprise department is responsible for managing and monitoring their respective budget at the spending category levels. Department managers also monitor their program performance measures throughout the year to ascertain if goals are being met.

Actual expenditures in a fiscal year that consume operating budgets may not exceed the function level budget appropriations by fund; which is all spending categories within a fund. At the end of the fiscal year, actual expenditures less revenues fall to fund balance. Some of the fund balance (equity) is transferred to the capital fund to support capital projects. There are also other requirements on minimum fund balance reserves that are defined in the annual financial statements. The capital budget is controlled by fund, division, and project.

P.V.R. – Performance.Values.Results. Performance measures and corresponding data for each program, as identified by each department, are reported quarterly to communicate and demonstrate the results and effectiveness of the program in achieving its stated purpose and to accurately capture the costs to deliver the intended results (AMC 6.40.016).

The last assembly meeting prior to June 30 of each year, the Mayor provides a memorandum to the assembly identifying the frequency, data, and format of the reporting requirements (AMC 6.40.015).

Currently, spending reports are provided quarterly to the assembly by spending category; labor, overtime, non-labor expenditures, and revenues compared to budget. A budget to actuals report for travel and the contributions to nonprofit organizations are provided to the Assembly, separately (AMC 6.10.034).

2021 Approved Utility/Enterprise Activities Budgets

Municipality of Anchorage
Operating & Capital Budgets -- General Government / Utilities / Enterprises
2021 Budget Preparation Calendar (Preliminary) - May 2020

| Action | Date | Category |
|--|-----------------|-----------|
| Community Council Surveys Available Online - typical schedule is March 1, but delayed in 2020 due to new website roll-out | May 1 | Capital |
| Rollover of QuesticaBudget prior-year revised to budget-year proposed operating and capital | June | All |
| Questica budget available to departments | June 1 | All |
| OMB request CIB/CIP projects from Departments, including expiring Utility/Enterprise capital project closes | June 1 | Capital |
| OMB distributes Mayor's funding guidance and priorities to departments | June 12 | Operating |
| Community Council surveys due | June 15 | Capital |
| All Department preliminary capital budget changes to CIB due to OMB | June 29 | Capital |
| OMB review, analyze, compile preliminary CIB to Mayor | June 29-July 10 | Capital |
| Mayor's first preliminary review of list of projects | July 13-15 | Capital |
| Send preliminary Enterprise/Utility CIB to Finance for fund certification | July 15-17 | Utl/Ent |
| All departments submit proposed changes to operating budgets to OMB | July 20 | Operating |
| CIB discussion with Mayor | July 20-24 | Capital |
| AEDC to provide data for Six-Year Fiscal Program | July 24 | Operating |
| OMB compiles summaries of department operating budget changes for Mayor review | July 21-31 | All |
| Mayor's decisions on proposed CIB/CIP to OMB | Aug 3 | Capital |
| Treasury and Public Finance to provide to OMB preliminary revenue projections | Aug 5 | Operating |
| Public Finance to provide fund balance, bond rating and projection, and financial strategies data for Six-Year Fiscal Program | Aug 7 | Operating |
| Treasury to provide revenue data for Six-Year Fiscal Program | Aug 7 | Operating |
| Planning & Zoning Commission preview of preliminary working draft CIB/CIP for GG by coordinating with Departments | Aug 10 | Capital |
| Mayor meets with Departments Heads | Aug 3-14 | Operating |
| Service Area budgets due to OMB | Aug 14 | Operating |
| O&M projections due to OMB (OMB to send out file prior to this date) | Aug 14 | Operating |
| Public Finance to provide OMB: review of utility/enterprise 8 year summaries, revenue/expense statements, and statement of cash sources and uses with focus on: debt, debt/equity ratios, cash pool, cash pool earnings, etc. | Aug 14 | Utl/Ent |
| Initial assessed value projection due to OMB from Prop. Appraisal | Aug | Operating |
| Preliminary Tax Cap Calculation by OMB to Mayor | Aug 14 | Operating |
| OMB finalizes Proposed CIB/CIP book and Assembly documents | Aug 14 | Capital |
| OMB submits Six-Year Fiscal Program to Mayor | Aug 17 | All |
| Mayor's final decisions on operating budget | Aug 21 | Operating |
| OMB run IGCs | Aug 21 | Operating |
| ("120 Day Memo") Mayor's Preliminary budget information to Assembly and online (revenues, tax limit, service priorities, reorganizations, utility/enterprise business plans, update to utility/enterprise strategic plans, and proposed CIPs) | Sept 1 | A All |

2021 Approved Utility/Enterprise Activities Budgets
Municipality of Anchorage
Operating & Capital Budgets -- General Government / Utilities / Enterprises
2021 Budget Preparation Calendar (Preliminary) - May 2020

| Action | Date | Category | |
|---|------------|----------|-----------------|
| OMB completes GG operating and utility/enterprise budget books and Six-Year Fiscal Program | Sept 7-11 | | All |
| OMB completes assembly documents for GG operating and utility/enterprise budgets and Six-Year Fiscal Program | Sept 14-18 | | All |
| OMB submits budgets and Six-Year Fiscal Program to Assembly and online (NLT October 2) | Oct 2 | B | All |
| Assembly worksession, Overview & Highlights of Proposed Budgets | Oct 9 | | All |
| Planning & Zoning Commission recommendations on CIB/CIP; | Oct 12 | | Capital |
| Formal introduction of Mayor's budgets to Assembly | Oct 13 | | All |
| Assembly Worksession - General Government Operating & Capital | Oct 16 | | All |
| Assembly Worksession - Utilities/Enterp. Budgets & Legislative Program | Oct 23 | | Utl / Ent / Leg |
| Assembly Public Hearing # 1 on proposed budgets | Oct 27 | C | All |
| Assembly Public Hearing # 2 on proposed budgets {Note this is a Wednesday, due to Nov 3 as national elections} | Nov 4 | | All |
| Assembly Worksession - Assembly proposed amendments | Nov 13 | | All |
| Administration prepares S-Version | Nov 12-16 | | All |
| Assembly Meeting - Assembly amendments and adoption of budgets | Nov 17 | D | All |
| OMB upload adopted budget into financial system for budget year use | Nov 18 | | Operating |

Note: All dates are subject to change.

A

6.10.040 Submittal and adoption of municipal operating and capital budget. **September**

A. At least 120 days before the end of the fiscal year the Mayor shall submit to the Assembly the following:

1. A preliminary general government capital budget/capital program and utilities capital budget/capital program.
2. Proposed utility business plans and update to utility strategic plans.
3. Preliminary general government revenue plan, tax limitation, and administration service priorities.
4. Major departmental consolidations, reorganizations or establishments necessitating changes to Chapter 3.10 or 3.20, pertaining to executive organization, and required by proposed budgets for the next fiscal year.

B

Section 13.02. Six-Year Fiscal Program. October

At least 90 days before the end of the fiscal year of the municipality the mayor shall submit to the assembly, with recommendations from the planning commission, a six-year program for public services, fiscal policies and capital improvements of the municipality. The program shall include estimates of the effect of capital improvement projects on maintenance, operation and personnel costs. The assembly shall hold at least one public hearing on the six-year program prior to adoption.

Section 13.03. Operating and capital budget. October

At least 90 days before the end of the fiscal year of the municipality the Mayor shall submit to the Assembly a proposed operating and capital budget for the next fiscal year. The form and content of the budget shall be consistent with the proposed six-year program. The Mayor shall submit with the budget an analysis of the fiscal implications of all tax levies and programs.

C

Section 13.04. Budget hearing.

The Assembly shall hold at least two public hearings on the proposed operating and capital budget for the next fiscal year, including one hearing at least 21 days after the budget is submitted to the Assembly, and one hearing at least seven but not more than 14 days prior to the adoption of the budget.

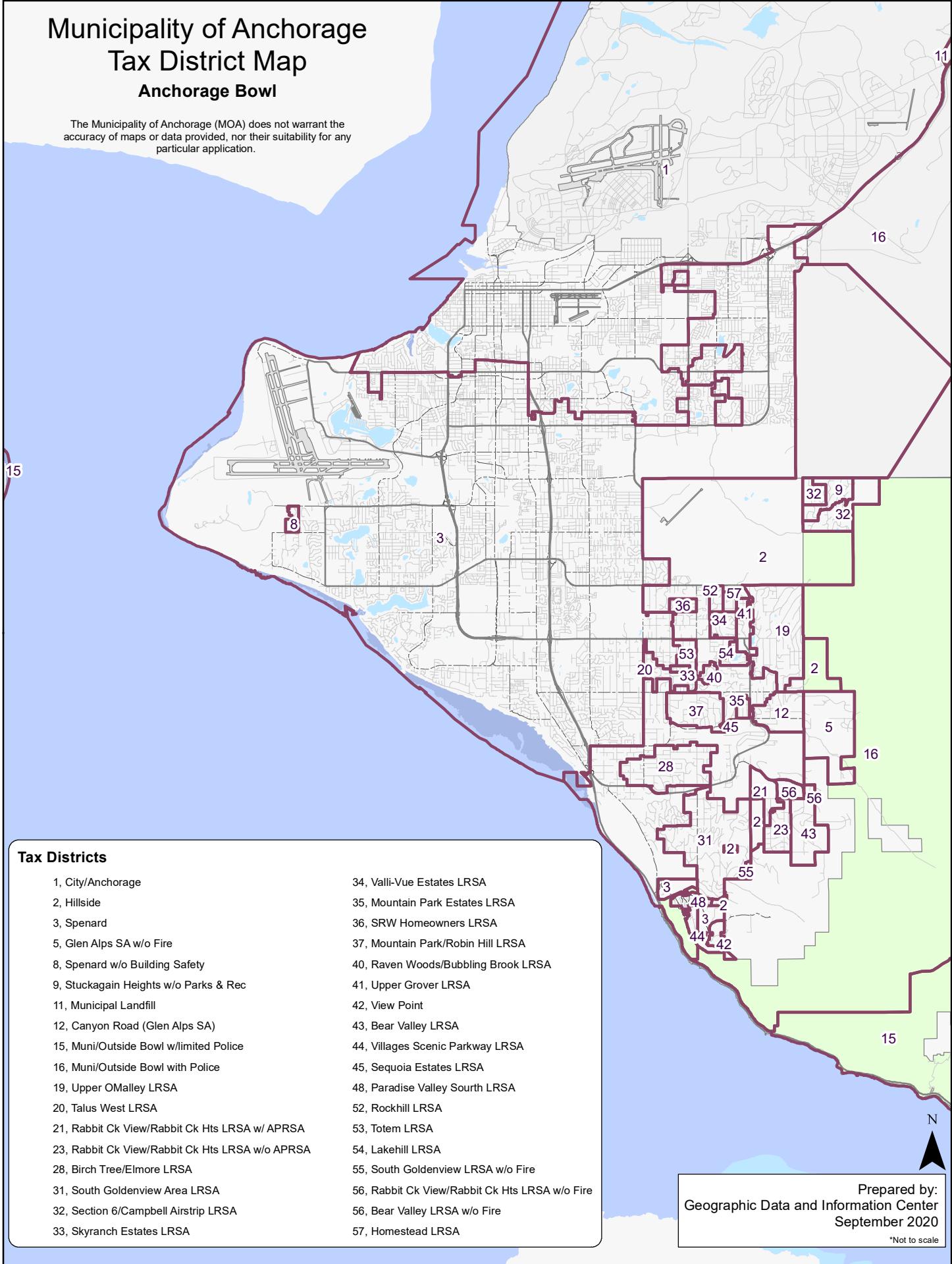
D

6.10.040 Submittal and adoption of municipal operating and capital budget.

- B. The general government capital budget/capital program will be adopted at least 21 days prior to the end of the fiscal year of the municipality.

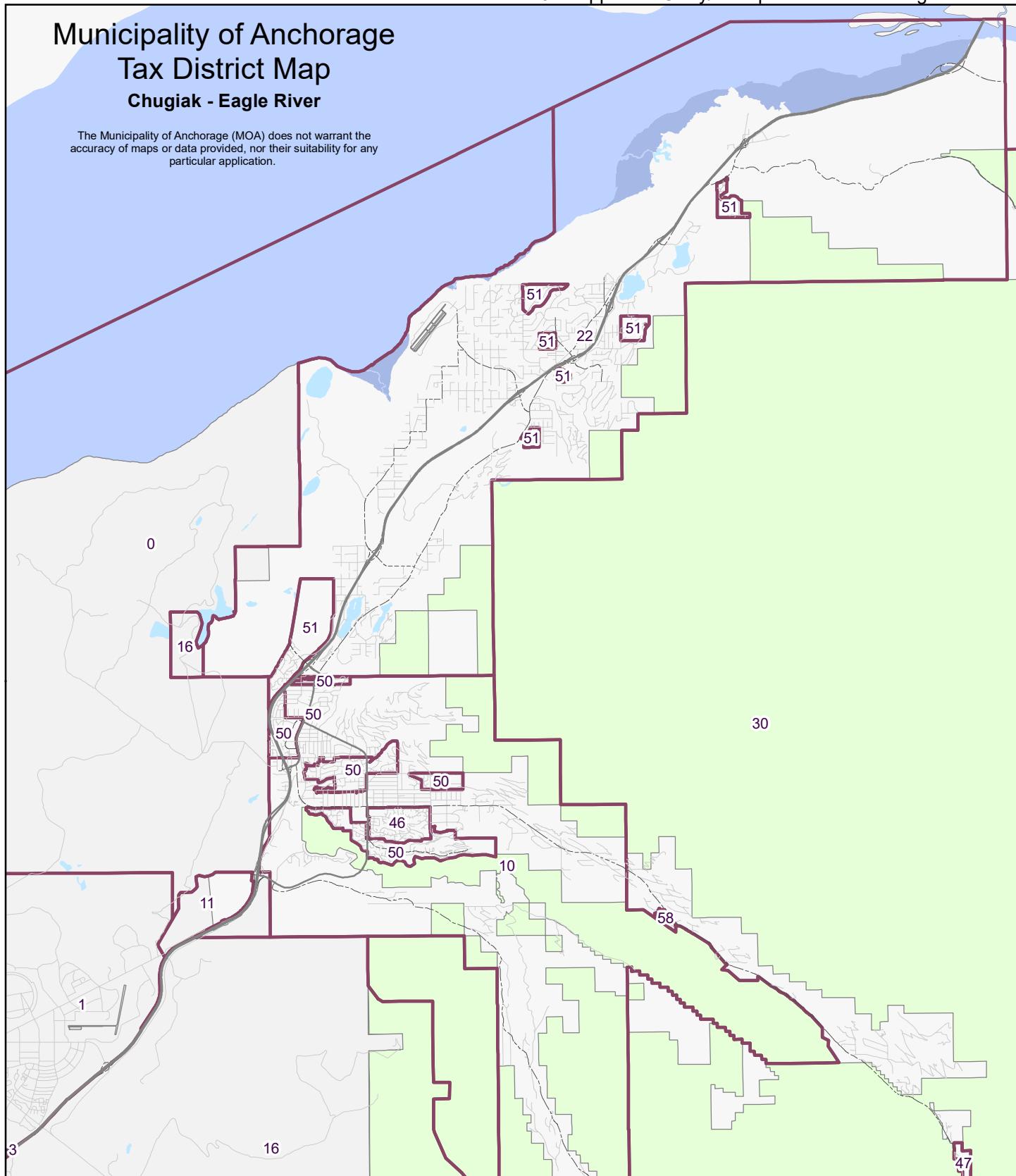
Municipality of Anchorage Tax District Map Anchorage Bowl

The Municipality of Anchorage (MOA) does not warrant the accuracy of maps or data provided, nor their suitability for any particular application.



Municipality of Anchorage Tax District Map Chugiak - Eagle River

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Tax Districts

- | | |
|---------------------------------------|--|
| 0, Muni/Outside Bowl w/ ERPRSA/Police | 22, Chugiak Fire Service Area |
| 1, City/Anchorage | 30, Eagle River Valley Rural Road SA |
| 2, Hillside | 46, Eaglewood Contributing Road SA |
| 3, Spenard | 47, Gateway Contributing Road SA |
| 10, Eagle River | 50, Eagle River Street Lights SA w/ Anch Fire |
| 11, Municipal Landfill | 51, Eagle River Street Lights SA w/ Chugiak Fire |
| 16, Muni/Outside Bowl with Police | 58, Eagle River Street Lights SA without Fire |

Prepared by:
Geographic Data and Information Center
September 2020

*Not to scale

Municipality of Anchorage Tax District Map **Girdwood**

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Chugach
National
Forest

15

4

4

Seward Highway

Chugach
National
Forest

N

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September 2020

*Not to scale