

Utility/Enterprise Budget Overview

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. The Municipal Manager and Deputy Municipal Manager are responsible to manage, direct, and ensure policy and procedures are followed. The Director of each department is responsible to manage and report on each section within.

Assembly Enterprise and Utility Oversight Committee-of-the-Whole – This committee of Assembly members reviews and makes recommendations regarding the operations and budgets of the Municipality's five enterprise and utility departments.

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

Eklutna Operating Committee (EOC) – of which the Municipality is a member, reviews the engineering and operating reports, maintenance schedules, and other information about the condition of the generation assets of the Eklutna Power Project (the Project). The EOC develops a five-year capital plan and approves a current year capital project budget based on need, available resources, and schedule. The Municipality's percentage of ownership is presented in the Anchorage Hydropower Utility.

Municipal Airports Aviation Advisory Commission (AMC 4.60.160) – Merrill Field Airport established this commission to provide recommendations to the Mayor and Assembly on all matters pertaining to the annual operating budget, rules, regulations, and administrative guidelines. This commission shall terminate on October 14, 2024, unless affirmatively continued by the assembly in accordance with AMC 4.05.150.

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

Solid Waste and Recycling Advisory Commission (AMC 4.70.010, 4.70.040) – requires SWS establish 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. Furthermore, they will conduct public input hearings when deemed appropriate on matters pertaining to recycling, composting, and waste reduction, including but not limited to: services, rates, and regulations, assist with public outreach and education on the topics of recycling, composting, and waste reduction.

Utility/Enterprise Accounting

The full accrual basis of accounting is used for utility/enterprise departments and they are categorized as Enterprise type 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.

Utility/Enterprise Expenses

Operating expenses are incurred from the operations of the department, it reflects the cost of doing business. Non-Operating expenses are incurred by activities outside of operations such as: interest expense, debt issuance costs, amortization and/or depreciation type activities.

Function cost by fund: this budget is the legal level of appropriation and includes interfund charges for general government services added to the manageable direct cost budget. Actual expenses may not exceed function cost budget appropriations at the enterprise and utility fund levels (AMC 6.10.036).

The manageable direct cost budget consists of several categories: labor (salaries and benefits); non-labor (supplies, travel, contracts, dividends, 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.

Non-cash accounts are not appropriated, these accounts are used to internally account for future items, where cash is not actually being paid out of the Municipality. For example, depreciation and amortization. These accounts are budgeted, reported, and controlled separately.

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)

Revenue distribution from the Anchorage Hydropower Utility (AMC 26.10.068)

- A. The Anchorage Hydropower utility shall pledge and distribute to the MOA Trust Fund revenue received pursuant to that certain Eklutna Power Purchase Agreement Between Chugach Electric Association, Inc. ("Purchaser") and Municipality of Anchorage ("Seller"), dated December 28, 2018, by and between the Municipality and Chugach Electric Association, Inc., as amended.

- B. If the Anchorage Hydropower utility has or is anticipated to have net income accruing from its operations in any year in addition to revenue received from Chugach Electric Association, Inc. and pledged to the MOA Trust Fund under subsection A. of this section, 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 from Anchorage Hydropower." 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, or is substantially complete. The amount of utility revenue distribution for the subsequent year may equal or exceed the change in net operating position for the prior year; provided, however, that the utility retain sufficient reserves: 1. To meet anticipated capital and operating expenses; and 2. As required by the Regulatory Commission of Alaska.

Utility/Enterprise Revenues

Operating revenues are generated by providing a service. Non-Operating revenues are earned by investments, or other non-significant sources such as the gain/loss on the sale of an asset. 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).

All requested rate changes to utility tariffs shall be brought to the assembly by ordinance for review and approval for submission to the state public utilities commission. (AMC 26.10.035)

Budget Appropriations, Transfers, Reductions

The purpose of an appropriation is the request to expend. The Mayor must approve departmental requests for appropriations, prior to obtaining approval from the Assembly.

Operating appropriations that are not expended, encumbered, or designated to be carried over, lapse at the end of the fiscal year. Revenue budgets are not appropriated and are calculated based upon approved rates, tariffs, etc.

No appropriation may be reduced by more than the amount of the then unencumbered balance.

If the Mayor determines that revenues will be less than appropriations for a fiscal year, the Mayor shall so report to the assembly. The Mayor may transfer all or part of any unencumbered balance between categories within an appropriation. (Charter 13.06)

The Assembly may transfer part or all of any unencumbered balance from one appropriation to another. (Charter 13.06) The assembly may reduce appropriations as it deems necessary.

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 \$500,000 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. In operating funds, budget transfer requests must be approved by the Municipal Manager, CFO, and OMB Director if:

- exceed \$10K (expenditures, IGCs, or revenues)
- include labor (salaries and wages) accounts
- include travel accounts

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 directors 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, travel, contributions to others, and revenues compared to budget. An explanation is required for any variance of +/-5%. Budget to actuals report for travel and the contributions to nonprofit organizations are provided to the Assembly, separately (AMC 6.10.034).

Municipality of Anchorage
Operating & Capital Budgets -- General Government / Utilities / Enterprises
DRAFT 2023 Budget Preparation Calendar at August 18, 2022

Action	Due Date	Ref	Category
Community Council Surveys Available Online	25-Mar		Capital
Rollover of QuesticaBudget (prior-year revised to budget-year proposed operating and capital)	1-Jun		All
Community Council Surveys due to OMB	15-Jun		Capital
Questica budget available to departments	6-Jul		All
OMB distributes Mayor's guidance and priorities to departments to include: operating, O&M schedules, Service Area budgets, PVRs, and CIB/CIP etc.	6-Jul		All
Trainings - QB, Mayor's guidance, Budget Process, etc.	Jul 6 - 29		All
Controller to provide OMB for all departments: interfund loan schedules	29-Jul		All
Public Finance to provide OMB for all departments: bond P&I projections, debt schedules, bond payouts for next year, cash pool impacts/investment earnings, etc.	29-Jul		All
All departments submit proposed changes to OMB to include: department narratives (descriptions/goals/business plans/etc), operating, O&M schedules, Service Area budgets, PVRs, and CIB/CIP etc.	5-Aug		All
OMB compiles summaries of department budget changes for Mayor review	10-Aug		All
OMB sends <i>preliminary</i> CIB - Bonds to Finance for bond council review	10-Aug		Capital
Mayor meets with departments and reviews budget proposals	Aug 11 - 19		All
Public Finance to provide OMB bond council review impacts	17-Aug		Capital
OMB discussions with Mayor and Execs	23-Aug		All
Mayor's decisions on proposed CIB/CIP to OMB	2-Sep		Capital
("120 Day Memo") Mayor's <i>preliminary</i> budget information to Assembly and online (revenues, tax limit, service priorities, reorganizations, utility/enterprise business plans, update to utility/enterprise strategic business plans, and proposed CIPs)	2-Sep	(A)	All
OMB Completes Proposed CIB/CIP book for Exec Review	9-Sep		Capital
Exec final decisions on Proposed CIB/CIP book	14-Sep		Capital
OMB finalizes Proposed CIB/CIP book and Assembly documents	16-Sep		Capital
OMB submits budgets and Six-Year Fiscal Program to Assembly and online (NLT October 2)	30-Sep	(B)	All
Formal introduction of Mayor's budgets to Assembly	11-Oct		All
Assembly Worksession 1 of 2 - General Government Operating & Capital	14-Oct		All
Planning & Zoning Commission recommendations on CIB/CIP; (first Monday after Assembly introduction of Mayor's CIB/CIP)	17-Oct		Capital
Assembly Worksession 2 of 2 - General Government Operating & Capital	21-Oct		All
Assembly Public Hearing # 1 on proposed budgets	25-Oct	(C)	All
Assembly Public Hearing # 2 on proposed budgets	9-Nov		All

Municipality of Anchorage
Operating & Capital Budgets -- General Government / Utilities / Enterprises
DRAFT 2023 Budget Preparation Calendar at August 18, 2022

Action	Due Date	Ref	Category
Assembly Worksession - Assembly proposed amendments	18-Nov		All
Administration prepares S-Version	21-Nov		All
Assembly Budget Approval Meeting - Assembly amendments and adoption of budgets	22-Nov	(D)	All

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

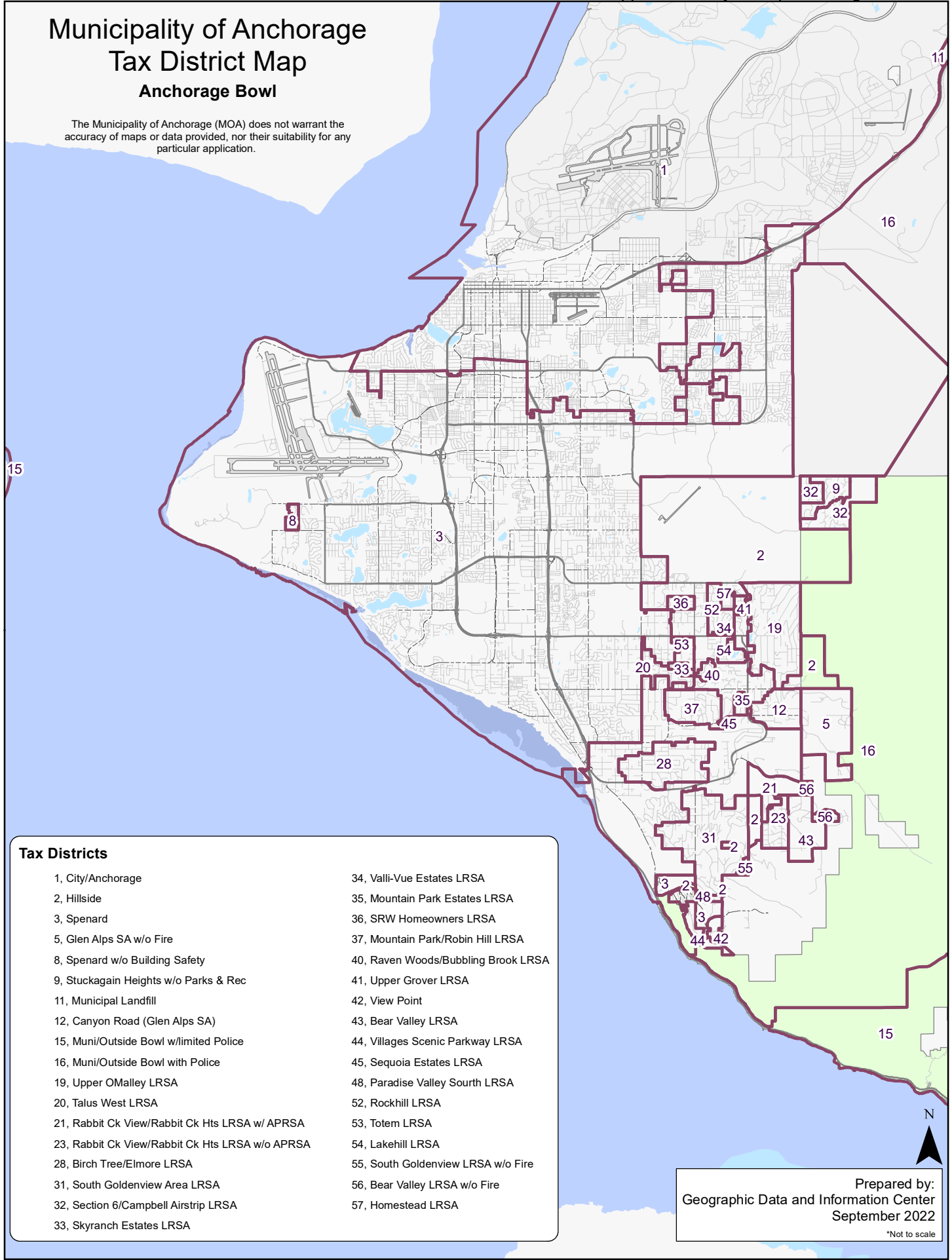
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6.10.040 Submittal and adoption of municipal operating and capital budget.

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 of Anchorage Tax District Map Anchorage Bowl

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Tax Districts

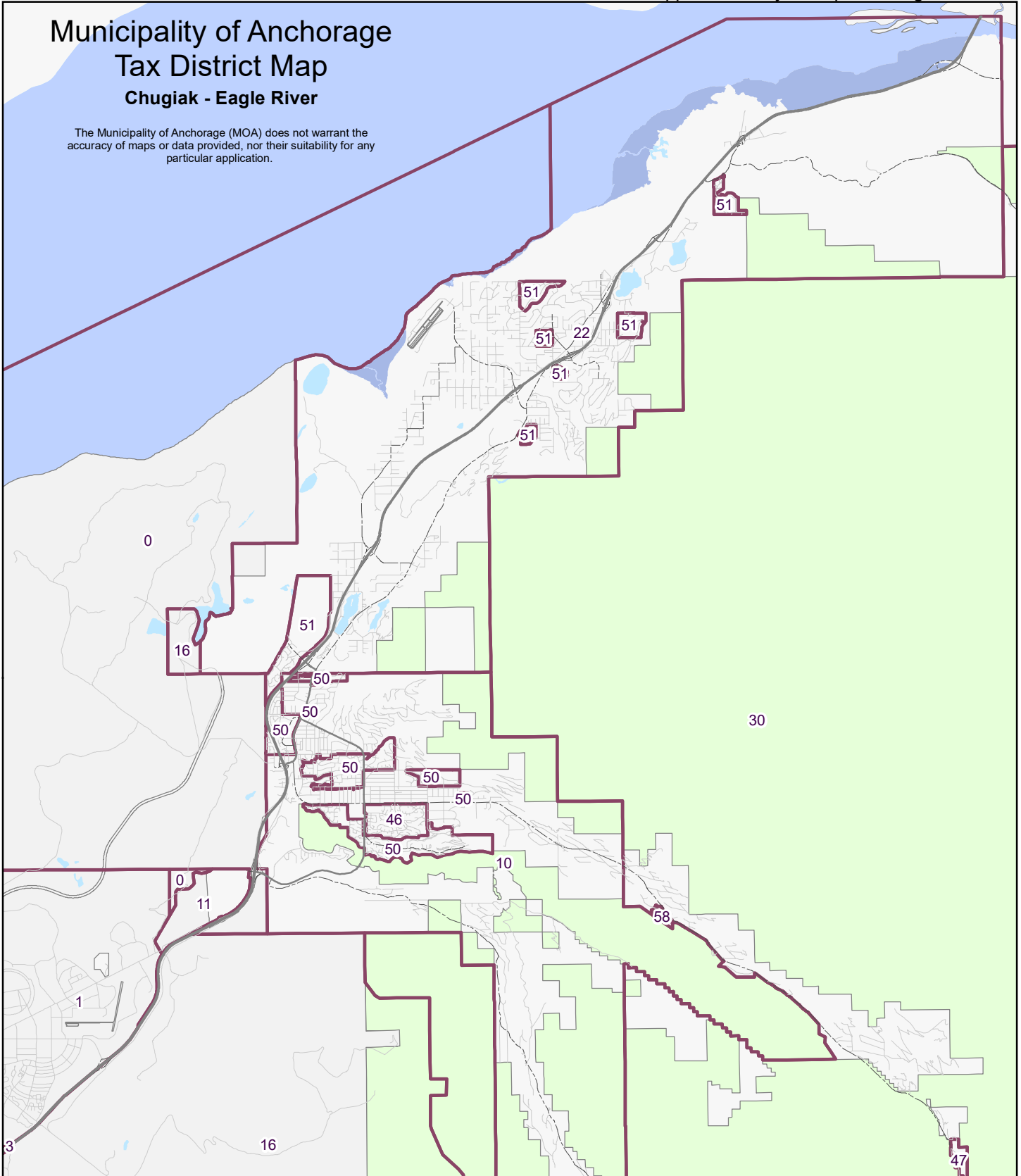
- | | |
|---|-------------------------------------|
| 1, City/Anchorage | 34, Valli-Vue Estates LRSA |
| 2, Hillside | 35, Mountain Park Estates LRSA |
| 3, Spenard | 36, SRW Homeowners LRSA |
| 5, Glen Alps SA w/o Fire | 37, Mountain Park/Robin Hill LRSA |
| 8, Spenard w/o Building Safety | 40, Raven Woods/Bubbling Brook LRSA |
| 9, Stuckagain Heights w/o Parks & Rec | 41, Upper Grover LRSA |
| 11, Municipal Landfill | 42, View Point |
| 12, Canyon Road (Glen Alps SA) | 43, Bear Valley LRSA |
| 15, Muni/Outside Bowl w/limited Police | 44, Villages Scenic Parkway LRSA |
| 16, Muni/Outside Bowl with Police | 45, Sequoia Estates LRSA |
| 19, Upper OMalley LRSA | 48, Paradise Valley South LRSA |
| 20, Talus West LRSA | 52, Rockhill LRSA |
| 21, Rabbit Ck View/Rabbit Ck Hts LRSA w/ APRSA | 53, Totem LRSA |
| 23, Rabbit Ck View/Rabbit Ck Hts LRSA w/o APRSA | 54, Lakehill LRSA |
| 28, Birch Tree/Elmore LRSA | 55, South Goldenview LRSA w/o Fire |
| 31, South Goldenview Area LRSA | 56, Bear Valley LRSA w/o Fire |
| 32, Section 6/Campbell Airstrip LRSA | 57, Homestead LRSA |
| 33, Sky ranch Estates LRSA | |

Prepared by:
Geographic Data and Information Center
September 2022

*Not to scale

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 |

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*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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*Not to scale