

Budget Highlights

Organizational Highlights

MAJOR ISSUES AND CONCERNS

- If the prediction that the State's constitutional budget reserve will be depleted by June 2004 holds, and given that a State fiscal plan is not yet in sight, the Borough could be faced with some drastic State fiscal funding shortfalls in the near future. The consequence of this would likely be a decrease in the Borough's ability to deliver its programs and services at current levels.
- There is a \$0.02 per gallon fuel tax initiative in the preliminary stages of the initiative process. Should it turn into a ballot item, and be approved by the voters, it would require implementation and there could be property tax consequences.
- Implementation of GASB 34, New Financial Reporting Model, will be challenging and perhaps demand further appropriations to meet the dual-focus reporting model and the new infrastructure and capital asset reporting requirements.
- Continued reductions in school enrollments will likely reduce future State education funding and cause funding pressures on other Borough services and programs.
- The lack of stability for the pipeline valuation has an impact on budget preparation and the cost to other property owners in the Borough.
- Impacts of the Borough's aging workforce are two-fold: 1) health care cost containment becomes more challenging, and 2) as individuals in key management positions approach retirement eligibility there is concern over a loss of institutional knowledge and a void could be created in upper-level management capacities.
- The Borough has met the attainment requirement of the National Ambient Air Quality Standard (NAAQS) and will submit a maintenance plan to EPA for redesignation from a non-attainment area to an attainment area.
- Identification of local revenue alternatives to replace continued loss of state shared revenues, safe communities program, decline in pipeline valuations, and increases in senior citizen and disabled veterans property tax exemptions is needed, along with looking at the feasibility of adjusting revenue sources toward alternative revenues and away from as much reliance on property tax revenue.
- Need to put into place or find an adequate annual funding source for the facilities maintenance reserve fund.

BUDGETING CHANGES

- This year's budget has a new Grants tab near the back of the budget with details of commonly recurring operating grants received by the Borough. This change allows these grants (excluding the Child Care Division grants) to be shown together in one location and appropriated, and increases efficiency by eliminating the need for supplemental appropriations for these grants.
- The budget appropriation ordinance now has its own tab, instead of immediately following the Mayor's Message under the Mayor's Message tab.

Expenditure Highlights

NEW/CHANGED FUNDS/DEPARTMENTS

- A Grants section has been added to the budget under its own tab. The Appendix that contained some of this information previously, has been removed.

LOCAL EFFORT TOWARD EDUCATION

- Education continues to be the number one priority in the Borough, representing 42.8% of the general fund budget; combined with school debt servicing of \$12,777,480, 59.3% of general fund revenues are dedicated to education.
- Local funding for education was set at \$33,545,700.

Budget Highlights

Expenditure Highlights (Continued)

LOCAL EFFORT TOWARD CAPITAL PROJECTS

- Capital Matching Grant Program projects increased by \$200,500 to \$1,300,000 for FY 2003 (this amount includes State funding).
- Facilities Maintenance Reserve Fund appropriation is \$1,500,000.

LOCAL EFFORT TOWARD DEBT SERVICING

- Total debt servicing is decreased \$1,050 from FY 2002's \$13,132,540 to FY 2003's \$13,131,490. The remainder of the approved school bonds is anticipated to be sold in FY 2003.
- Total existing areawide debt will be \$109,755,000 at June 30, 2002 and \$102,595,000 at June 30, 2003.
- Total existing non-areawide debt will be \$475,000 at June 30, 2002, and \$245,000 at June 30, 2003.

STAFFING CHANGES TO BOROUGH SERVICES AND PROGRAMS

- Boroughwide, staffing is increased 5.00 FTEs from FY 2002's revised 351.15 FTEs.
- The Department of Financial Services, Accounting Division, and the Department of Computer Services budgets reflect the additional 3 FTE perm-term positions approved by the Assembly when it appropriated funding for implementation of GASB 34. There are no dollars in this budget attached to the FTEs as the funding already was approved and is in the GASB 34 project fund.
- The Borough has contracted with the school district for part-time use of the school district's Employment and Educational Opportunity Director who will provide EEO services to the Borough. The EEO Coordinator (.5 FTE) was dropped from the Department of Human Resources Budget.
- To expand the Borough's GIS capabilities, the Department of Community Planning has added 1 FTE, a Geographical Information System Coordinator.
- The Emergency Operations Department and Direct Services Department fall under one director instead of two. So, one director FTE was dropped and an Emergency Operations Manager (1 FTE) was hired in February 2002, to manage the emergency operations function. The change shows in this budget because the change accrued after the December 31, 2001 revised budget.
- The Animal Control budget reflects an increase of 1.5 FTEs to meet the Animal Task Force recommendations

WAGE AND BENEFIT ADJUSTMENTS

- The benefit rate was set at 40.3%, down from FY 2002's 41.7%. The 1.4% decrease in the benefits rate is due to a decrease in the health benefit rate, workers' compensation, and general liability claims.
- Union contracts were re-negotiated during FY 2001. Union and management employees received pay scale adjustments and a 1.75% cost of living increase in FY 2001. The pay adjustments were funded from fund balance/retained earnings. The contract negotiations also allowed for a cost of living increase to be added to the pay scales for FY 2002 and FY2003. The cost of living adjustment for FY 2003 is based on the annual rate of inflation using Anchorage CPI Urban, using calendar year average to calendar year average, and is 2.8%.

Budget Highlights

Expenditure Highlights (Continued)

DEPARTMENT	2001/02 APPROVED BUDGET	CHANGES THRU 12/31/01	2001/02 REVISED BUDGET	ADJUSTMENTS TO PROGRAMS	2002/03 RECOMMENDED BUDGET
Assembly	1,068,310	-	1,068,310	1,860	1,070,170
Mayor	966,430	(50,000)	916,430	7,970	924,400
Law	646,600	-	646,600	10,710	657,310
Assessing	1,799,760	-	1,799,760	31,280	1,831,040
Community Planning	1,225,420	-	1,225,420	141,170	1,366,590
Computer Services	1,847,540	-	1,847,540	47,700	1,895,240
Direct Services	1,371,430	5,127	1,376,557	106,253	1,482,810
Emergency Operations	1,606,420	-	1,606,420	(3,170)	1,603,250
Financial Services	5,292,000	467,280	5,759,280	(232,550)	5,526,730
General Services	1,150,690	-	1,150,690	117,810	1,268,500
Human Resources	1,823,730	-	1,823,730	95,040	1,918,770
Land Management	796,390	-	796,390	23,880	820,270
Library Services	3,409,340	-	3,409,340	113,790	3,523,130
Parks and Recreations	4,762,070	1,100	4,763,170	83,630	4,846,800
Public Works	9,247,790	10,000	9,257,790	2,847,210	12,105,000
Transportation	3,626,350	(139,222)	3,487,128	175,552	3,662,680
Education	32,545,700	10,000	32,555,700	990,000	33,545,700
Debt Service	13,132,540	-	13,132,540	(1,050)	13,131,490
Non-Departmental	266,300	-	266,300	26,550	292,850
Interfund Charges	1,924,590	-	1,924,590	113,940	2,038,530
Capital Improvements	3,121,300	404,746	3,526,046	(218,566)	3,307,480
Contribution to Fund Balance	599,570	-	599,570	(481,410)	118,160
	<u>92,230,270</u>	<u>709,031</u>	<u>92,939,301</u>	<u>3,997,599</u>	<u>96,936,900</u>

Summary of Major Changes in Expenditures from FY 2002

92,230,270

FY 2002 Approved Budget

467,280 Supplementary appropriation of Child Care program grants
404,746 Supplementary appropriations for various other capital
10,000 Supplementary appropriations for Education
(172,995) Supplementary appropriations for various departments

709,031

Total of Changes from FY 2002 Approved to FY 2002 Revised Budget

92,939,301

FY 2003 Revised Budget

367,420 Normal union and management longevity adjustments and 2.8% cost of living adjustment
150,800 Salaries and benefits on new positions
148,070 Benefit increase due to salary changes
990,000 Education
602,290 Solid Waste Collections - hauling contract increases and other items (excludes salaries)
2,132,120 Solid Waste Disposal - first loan payment on cell expansion and other items (excludes salaries)
184,485 Other program cost adjustments all funds (excludes salaries)
8,450 Increase to benefit reserve due to salary adjustments
113,940 Adjustment to Interfund Charges
(218,566) Net increase from revised budget in appropriations to capital projects
(481,410) Decrease in Contrib. to Fund Bal., Debt Service, Solid Waste Disp., and Veh. Equip. Fleet Fund

3,997,599

Total of Changes from FY 2002 Revised to FY 2003 Budget

96,936,900

FY 2003 Approved Budget

Budget Highlights

Revenue Highlights

BOROUGH BUDGET REVENUE OVERVIEW

- The FY 2003 operating budget is \$96,936,900; \$4,706,630 more than FY 2002's approved \$92,230,270, and \$3,887,599 more than the revised FY 2002 \$92,939,301 budget.
- Property taxes: \$57,364,450 areawide, \$1,398,940 non-areawide, and \$3,467,840 solid waste collection district (\$62,231,260 combined) make up 64.3% of the revenue budget, as compared to FY 2002 budget's \$59,669,690 or 64.7%.
- State revenues; \$14,328,330 vs. \$14,353,860 (FY 2002 Approved Budget); make up 14.79% of the revenues.
- Room taxes are projected to increase to \$1,125,000 from \$1,074,000 (FY 2002 Approved estimate), for a \$51,000 increase, an estimate of the room tax increase from new rooms added in FY 2002.
- Boroughwide interest earnings are projected to decrease \$1,158,210 to \$2,533,390 from FY 2002's \$3,711,600 due to current market conditions.

GENERAL FUND REVENUES

- The General Fund budget is \$78,318,560 \$1,944,927 more than FY 2002's revised \$76,373,633.
- The levy for property taxes increased \$2,155,210 from FY 2002's \$55,217,490 to \$57,372,700, providing 73% of General Fund revenues.
- In FY 2002 the General Fund fund balance contributed \$500,000 to balance the General Fund Approved Budget, along with a \$150,000 residual equity transfer from the Community Activity Center Enterprise Fund. Also, General Fund fund balance contributed \$1,686,220 to cover additional appropriations through December 31, 2001.
- The FY 2003 General Fund budget was balanced by using \$880,740 from the General Fund fund balance and an 500,000 operating transfer from Land Enterprise Fund. There is \$51,140 going to the General Fund from the Land Enterprise Fund to share in its portion of the new GIS Coordinator.
- The decrease in interest revenue for the General Fund is projected to be \$1,032,000 less than FY 2002.

Mill Rate Highlights

AREAWIDE MILL RATE/ASSESSED VALUES

- The calendar year (CY) 2002 mill rate was set at 13.693, or 0.167 mills lower than the CY 2001 levy of 13.860 (taxes are \$16.70 less per \$100,000 home).
- Levied areawide property taxes in the FY 2003 budget are \$57,372,710 (\$56,225,250 when adjusted for delinquencies); \$1,387,540 under the areawide tax cap and \$2,155,220 over FY 2002's \$55,217,490 (\$54,113,140 after delinquencies).
- Assessed valuation changes to "full taxable value": pipeline decreased \$14.21 million, or 5.12%; new construction added \$150 million; and existing property valuations increased \$210 million. Combined with the exemption increases of \$21.8 million the taxable assessed values increased from \$3.98 billion to 4.19 billion.

FY 2002-2003 Budget
Fairbanks North Star Borough

Summary of Budget by Funds
(includes operating transfers between funds)

Fund	Revenue	Expenditure	Net Revenue / (Expenditure)	Estimated Beginning Undesignated Fund Balance	Estimated Ending Undesignated Fund Balance
General	77,437,820	78,318,560	(880,740)	11,118,013	10,237,273
Non-Areawide	1,760,330	1,747,860	12,470	433,749	446,219
Solid Waste Collection	3,487,580	3,879,440	(391,860)	1,311,563	919,703
Community Activity Center	843,620	1,001,620	(158,000)	241,365	83,365
Land Management	722,170	2,137,180	(1,415,010)	(644,000)	(2,059,010)
Solid Waste Disposal	4,507,870	5,489,140	(981,270)	(10,021,784)	(11,003,054)
Transportation	3,426,030	3,426,030	-	348,205	348,205
Vehicle Replacement	766,610	851,240	(84,630)	46,753	(37,877)
Child Care & HSS	3,610,000	3,610,000	-	-	-
Enhanced 911	443,630	337,940	105,690	801,729	907,419
Debt Service	13,116,060	13,131,490	(15,430)	15,433	3
Education *	33,545,700	33,545,700	-	2,331,311	3,182,841
Capital Projects	3,307,480	3,307,480	-	-	-
Total	146,974,900	150,783,680	(3,808,780)	5,982,337	3,025,087

* Education's fund balance includes all of the school district's revenues and expenditures and includes the local contribution from the borough to the school district for operations.