



Fairbanks North Star Borough

Office of the Mayor

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The Honorable Hank Bartos
Presiding Officer
Fairbanks North Star Borough Assembly
Fairbanks, Alaska

Dear Mr. Bartos:

It is my pleasure to present the Fiscal Year 2003 Adopted Budget. This budget represents a unique close collaboration of the Directors, Myself, and the Assembly, complemented by recommendations and input from task forces, commissions, and the general Borough citizenry. We believe that this process has produced a budget that clearly reflects a broad-based consensus of community values and priorities that benefits all of the citizenry of the Fairbanks North Star Borough.

BUDGET OVERVIEW

The short-term financial and operational goals that guided the development of the FY 2003 budget were based on knowing that, as in prior years, there would be limited room under the revenue (inflation) cap to cover maintenance level budgets and negotiated wage changes. Therefore, this budget reflects, basically, a maintenance level budget with minimal departmental personnel changes, administrative costs, and an increase in funding for capital projects and education. This resulted in an areawide budget that is \$1,387,540 below the revenue cap and requires an areawide mill rate of 13.693, which is 0.167 lower than last year. Recommendations from the Animal Control Task Force Report for the Division of Animal Control, has resulted in the addition of 1.25 FTEs for complete seven-day coverage and a 0.25 FTE Dispatcher. Contracted veterinary services were replaced with a 0.5 FTE Shelter Veterinarian position resulting in a net line item decrease. Veterinary services have been increased to cover exams and any necessary minor medical treatments of impounded animals, review and recommendations on shelter sanitation, nutrition, euthanasia, and preventive medicine programs. Additional monies were also added for outreach program advertisement. The Geographical Information System Working Group's recommendations led to the hiring of a Geographical Information System Coordinator to the staff in the Department of Community Planning.

This position will serve both Department of Land Management and Community Planning, with the salary split between the two departments. The Capital Budget project local funding to fund the South Davis Park, Birch Hill Ski Area, Signage for Pioneer Park, and Carlson Activity Center paving was \$1,417,480. Finally, funding to Education was \$33,545,700, an increase of \$1,000,000 this year from last year.

With the exception of the Noel Wien Library, all areawide-bonded indebtedness of the Borough is for school construction, renovation, and/or major repairs. The 1998 legislature authorized up to \$57 million of school bonds that can be issued as 70 percent reimbursable debt by the Borough. This authorization will lapse on June 30, 2003. The School Board has approved and the Borough has submitted to the State, a \$57 million Capital Projects list. Voters approved \$29.45 million in the October 2000 election. The Capital Projects list includes new schools, deferred maintenance, renovations/upgrades and improvement of school facility sites, playground safety upgrades, and technology upgrades for schools within the Fairbanks North Star Borough. Sale of \$9 million and \$9.05 million of these bonds took place in December 2000 and January 2001, respectively. We anticipate the balance of the bonds will be sold in the spring of 2003. The continued reduction in school enrollment however will likely reduce future state education funding and cause funding pressures on other Borough services and programs.

The use of fund balance to fund ongoing operations will continue to have future fiscal impacts under the current revenue cap. The beginning basis for the next year's revenue cap calculation is the prior year's actual tax levy. The effect of funding ongoing operations out of fund balance has the effect of ratcheting down the revenue cap. The ability of the Borough to meet changing service level requests is directly effected by the revenue cap, which is limited by the Anchorage CPI.

The Borough continued to keep school facilities, education, facility major maintenance, the solid waste disposal program, and the vehicle equipment replacement program priorities in addressing long-term issues and concerns at an organization-wide level.

PREVIOUS YEAR'S ACCOMPLISHMENTS

It is my continued goal as the Mayor to evaluate our processes for possible simplification and improvement. We must continue to maintain our reputation for excellence, credibility, and consistency, while minimizing the financial impact on our residents.

To that note, the results of the decision to create a Human Resources Department by combining Risk Management, Payroll, and Personnel has proven to be successful above

all expectations. We are changing our payroll process, reinvesting in training, and reinforcing the positive value of all employees.

Below are several more examples of “doing more with less,” to achieve the goals and objectives set forth in FY 02:

- The Borough’s Equal Employment Opportunity function has been combined with the Fairbanks North Star Borough School District’s EEO office.
- The Department of Emergency Operations combined management oversight at the Director’s level with the Department of Direct Services. Evaluation and enhancements have allowed an overall reduction to the department budget while maintaining an effective service. The Emergency Operations Manager position was filled, reflecting a net decrease in personnel cost when both departments were combined under one director.
- The Department of Community Planning began the restructuring of its Borough Comprehensive Plan that included and will continue to include, much public outreach and debate. This will allow for effective physical, social, and economic developmental planning. In addition, a Geographical Information System (GIS) Workgroup was created to enhance the use and dissemination of land data to the public. Participation in this Workgroup included staff from the Departments of Land Management, Community Service, Assessing, Computer Services, and Direct Services. Per their recommendation, a GIS Coordinator has been added to the staff of Community Planning whose salary will be shared between both Land Management and Community Planning.
- Cross-training within departments and their divisions has been successfully implemented to increase employees’ breadth of experience. This ultimately supports Borough future strategic goals and fulfills workforce needs within the departments.
- The Department of Library services has several ongoing and new projects including the Mayor’s “Raven About Reading” program, continued adaptation of the library for handicapped individuals, and continued updating of software and hardware. The further goals of the Outreach

Division of the Library include providing homebound route and monthly visits to the Fairbanks Senior Center and the new children's Cheryl Bidwell Reading Garden.

- Several Special Task Forces have been created to study and give recommendations to the Borough about the existing processes and issues. Commissions and workgroups also contributed worthy input and recommendations towards the management of the Borough. Some highlights from FY 02 are (but not limited to):

- **Animal Control Task Force.** (June 2001–October 2001.) This task force researched the Department of Direct Service's Division of Animal Control for ways to improve services and best serve the public. These recommendations were applied to the FY 2003 budget.
- **Maintenance Task Force.** (FY 2002–FY 2003.) This task force is looking at the maintenance function at the Borough to enhance or improve the maintenance service within the Borough. This examination deals with safety, quality of work, efficiency, and cost-effectiveness.
- **Comprehensive Planning Committee.** (FY 2002–until objectives are met.) This committee was created to study the future development of the Borough with respect to physical, social, and economic development.
- **Alaska Railroad Task Force.** (FY 2002–FY 2003.) The goal of this task force (formed at the request of Bonnie Williams, Assemblymember and supported by the Borough Administration) is to create a long-term (next 100 years') plan for future placement and function of the Alaska Railroad.
- **The Transportation Advisory Commission and I/M and Air Pollution Control Commission** worked closely with the Department of Transportation this year to meet 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.

- **The Economic Development Commission** works closely with the Mayor's Economic Development Coordinator to improve the Fairbanks economy through the encouragement of business on many levels such as the gas line, defense contracting, etc. Other groups also work with the Economic Development Coordinator to reach these objectives.

Several other issues and concerns are addressed in the Budget Highlights section of this budget. I will continue to work toward mitigating or resolving these issues during my administration with current and future funding priorities.

FINANCIAL SUMMARY

MILL RATE

The areawide mill rate in the FY 2003 Approved Budget is 0.167 mills lower than the FY 2002 levy, which results in a mill rate of 13.693 mills as opposed to the 13.860 mills levied in FY 2002. This equates to approximately a \$16.70 decrease in taxes per \$100,000 home. Areawide taxes collected in FY 2003 will be \$57,372,700 compared with \$55,217,490 in FY 2002. The FY 2003 budget is \$1,387,540 under the areawide tax cap.

The non-areawide mill rate for FY 2003 is 0.525, 0.004 higher than FY 2002, or, a 40 cent increase per \$100,000 home. Non-areawide taxes cover Emergency Medical Services, Community Research, Economic Development (outside of the cities of Fairbanks and North Pole), and the funding for the Solid Waste Transfer Site bonded debt. The FY 2003 budget is \$17,310 under the non-areawide tax cap.

The Solid Waste Collection District mill rate for FY 2003 is 1.187, 0.025 higher than FY 2002, or, \$2.50 more per \$100,000 home. Solid Waste Collection taxes cover transfer site maintenance and hauling of solid waste from the transfer sites. The FY 2003 budget is \$10.00 under the Solid Waste Collection District.

ASSESSED PROPERTY VALUATION

Overall, assessed valuation of properties within the Borough increased 5.3 percent over last year. The pipeline assessed value remained stable. New construction added \$150 million to the Borough's tax base.

REVENUES SUMMARY

Total revenue to the Borough in FY 2003 (excluding Road and Fire Service Areas) from all sources (areawide local, non-areawide local, state, federal, interest earnings, and miscellaneous) is \$93,012,960, which is \$1,589,073 more than the FY 2002 Revised Budget. The increase in revenues over the prior year comes from additional debt funding, additional property taxes, and other miscellaneous increases in local program funding.

Local taxes continue to be a major part of the revenue budget at 64 percent. State and federal revenues represent 15 percent.

The Budget by Funds section of this budget provides information on fund balances for each operating fund. Special fund balance notes are included for Solid Waste Disposal Enterprise Fund, Land Enterprise Fund, Child Care Special Revenue Fund, and Enhanced 911 Special Revenue Fund. Each of the before-mentioned funds reflects exceptions from the Borough's normal fiscal policies on reserve balances due to special accounting or legal restrictions. The Borough's reserve policies can be found in the Introduction section of this budget.

EDUCATION

Support for the local school district increased 3.07 percent year-to-year in the amount of \$33,545,700 versus the \$32,545,700 appropriated in FY 2002. Local contribution toward education now accounts for 42.8 percent of the General Fund budget of the Borough. Local contribution to operations of the school district, when combined with debt service, represents 59.3 percent of the Borough's General Fund budget.

DEBT SERVICE

Total debt service in the Borough decreased by \$1,050 from the FY 2002. Total existing areawide debt was \$109,755,000 on June 30, 2002. Non-areawide debt was \$475,000 on June 30, 2002 and will be \$245,000 on June 30, 2003.

CAPITAL BUDGET

Capital Matching Grant Programs, including state funding, increased by \$200,500 to \$1,300,000 for FY 2003. In addition, \$1,500,000 was appropriated to the Facilities Major Maintenance Reserve Fund.

PERSONNEL CHANGES (STAFFING AND BENEFITS)

Borough-wide staffing levels were increased from 349.67 FTE to 356.15 FTE, an increase of 6.48 FTE. The Division of Animal Control staff increased by an additional 1.25 FTEs, for complete seven-day coverage and a 0.25 FTE Dispatcher (per the recommendation of the Animal Control Task Force). In addition, contracted veterinary services were replaced with a 0.5 Shelter Veterinarian position that resulted in a net line item decrease. The GIS Workgroup's feedback resulted in the addition of a GIS Coordinator to the staff in the Department of Community Planning. This position will serve both Department of Land Management and Community Planning, with the salary split between the two departments. The Department of Emergency Operations combined management oversight at the Director's level with the Department of Direct Services. Evaluation and enhancements have allowed an overall reduction to the department budget while maintaining an effective service. The Emergency Operations Manager position was filled reflecting a net decrease in personnel cost when both departments were combined under one director. The Borough's Equal Employment Opportunity function has been combined with the Fairbanks North Star Borough School District's EEO office.

The benefit rate decreased 1.4 percent, due to a reduction in the health benefit rate, and workman's compensation and general liability claims.

ORGANIZATIONAL CHANGES

The Grants section was established as its own section in the budget. The Borough receives recurring operating grants in predictable amounts each year. These subsidize the funding of general, ongoing Borough operations such as transportation, community and economic development, and library services. These operating grants, because of their yearly occurrence as well as predictable amounts, are appropriated in the estimated funding of the annual operating budget.

OUTLOOK FOR FY 2003 AND BEYOND

While the approved FY 2003 budget addresses all of the needs and concerns of the Borough for the current fiscal year, there are several issues and concerns on the horizon that will likely occupy the Administration and Assembly's time and energy in the coming months.

- Implementation of the Governmental Accounting Standards Board (GASB) 34, the New Reporting Model, will be challenging and will likely require further appropriations to meet the new, three-focus, reporting

model, and new infrastructure and fixed asset reporting requirements. The Borough Assembly has been informed of the forthcoming changes and anticipated additional costs. Accounting staff has actively sought training and has been working with the Borough's financial software vendor to identify issues potentially hindering the Borough's ability to comply with the new governmental accounting standard.

- Continued reductions in school enrollments will likely reduce future state education funding levels. A means to deal with these reductions must be found. The School District, the Assembly, and I have actively participated in state funding issues for schools in order to influence legislation to meet the communities' needs.
- Efforts are underway by the Department of Defense to get the Borough landfill to accept waste streams from outside the Borough's boundaries (Fort Greely). If successful, this would lead to a reduced life cycle for the landfill cells currently open and would expedite future cell development and cost outflows.

Additional issues and concerns are addressed in the Budget Highlights document in the Budget Summary section of the Approved Budget. Efforts to address these concerns are ongoing.

MESSAGE SUMMARY

In closing, I would like to express my appreciation to the Assembly for the support it demonstrated during the FY 2003 budget process. I wish you all the best in the coming months and years.

Sincerely,



Rhonda Boyles
Borough Mayor

Attachments:

- Budget Ordinance – FNSB Ordinance No. 2002-20
- Mill Levy Resolution – FNSB Resolution No. 2002-32