



May 15, 2003

The Honorable Richard J. Solie, Jr.
Presiding Officer
Fairbanks North Star Borough
Fairbanks, Alaska 99707

Dear Mr. Solie:

It is my pleasure to present the Fiscal Year 2004 Adopted Budget. We believe that this budget is reasonable, under the present fiscal circumstances, and provides for the level of service that our citizens have mandated.

BUDGET OVERVIEW

This year's budget was of particular challenge to the Directors, the Assembly, and Myself. In addition to honoring the revenue (inflation) cap and fund balance constraints, the Borough has had to contend with historically low interest earnings, an increase in personnel, contract, and benefit service costs, and the vetoing of state revenue-sharing dollars and the Capital Matching Grant Program (CMGP) Funds. *Education remains a priority with this Administration.* Because of decreasing state funding and increasing school district operational costs, the *Borough increased funding to the school district by an additional \$1 million dollars.*

Interest Earnings. Current market conditions have driven fixed income investments returns to 40-year lows, resulting in general fund interest income being about a third of what the Borough typically earns. Projections for FY 2004 general fund interest income are below \$1 million.

Rise in Personnel/Contract Benefit Servicing Costs. The Borough is not exempt from the national trend of increased insurance costs and affordable health care delivery. Borough-wide staffing reductions aided in reducing the fiscal impact on the Budget.

Decrease in State Dollars. Due to the vetoing of Revenue Sharing, Safe Communities, and the Capital Matching Grant Programs, state fiscal assistance has been negatively impacted. As a one-time offset, the Borough will receive about \$745,000 in federal aid channeled through the state. Of this amount, \$220,000 will be routed to the Fire and Road Service Areas. To make up the difference the Borough will have to draw upon the General Fund Fund Balance.

Please reference the Budget Highlights and the Budget Summary Sections of the Approved Budget for a quick overview of the approved FY 04 Expenditure, Revenue, and Taxing activity.

PREVIOUS YEAR'S ACCOMPLISHMENTS

On a more positive note, the Borough's accomplishments in FY 2003 were stellar, and like FY 2002, bode well for the Borough's future. We must create change in order to maintain our standard of excellence in services that our citizens have come to expect. Likewise, for the Borough's future, we must encourage and facilitate economic growth. Below are examples of changes this year that will benefit the Borough today and in the future.

Creation of the Facilities Maintenance Department

In FY 2002, a Maintenance Task Force was created to look into the maintenance function at the Borough to enhance or improve maintenance service with respect to safety, quality of work, efficiency, and cost-effectiveness. Based upon the Task Force's recommendation, I have created the Facilities Maintenance Department, formally a Division located in the Department of Public Works. This change produces no increase in FTEs, but will be the first phase of the entire program improvement.

Pioneer Park's Promising Future

Passage of the Federal FY 2003 Omnibus Appropriations bill by the Senate and House, and signed by President Bush, has removed the land use restrictions on Pioneer Park. This allows for new development without federal government constraints. Currently, the Department of Transportation is constructing a train museum, an attraction sure to draw tourism.

The Borough (City of Fairbanks and North Pole), Now Designates State-Funded Transportation Projects

The U.S. Census Bureau (The U.S. Department of Commerce), in May 2002, formally designated portions of the Fairbanks North Star Borough and outlining areas as a Metropolitan Planning Organization (MPO). This will allow representatives from the Borough, City of Fairbanks, and North Pole, rather than the Department of Transportation, to designate necessary Borough-related transportation projects.

The Comprehensive Plan (Community Planning)

The Department of Community Planning is currently working on the Comprehensive Plan. The plan is concerned with achieving the highest possible quality of life for our citizens in the most cost effective way that preserves our sense of community in the face of growth and change.

The first phase involves creating a vision statement for the entire Borough, developing regional goals, objectives, and policies that will guide development toward our vision, and the preparation of a task list or implementation plan that enumerates actual activities and tasks that should be completed to reach our goals and vision. Through about 937 volunteer hours, the input of 723 people and 101 meetings, data was gathered for these goals and objectives. The next step will be submittal to the Planning Commission in the fall. Then, the Plan will be returned to the public for final approval.

Borough Air Quality Meets Federal Standards for a Third Year in a Row.

The Borough has achieved another year without exceeding federal air quality standards. This is an important achievement—failure may mean the blocking of future federal highway funds for our area.

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“Birch Hill is one of those classic venues... The new building and the improvements they’ve done, it’s going to be one of the premier stadiums in the country.” Quote from Luke Bodensteiner, the Nordic Director of the U.S. Ski and Snowboard Association.

The above quote typifies the feelings about the newly completed (February 2003) \$2.5 million Birch Hill Ski Center, which, in March 2003 welcomed the 2003 Chevy Truck Junior Olympics to the Fairbanks North Star Borough. The Facility was funded with a federal grant secured by Senator Ted Stevens in the amount of \$2.25 million. Construction for the facility consisted of a 3,500 square foot assembly and viewing area, restrooms, dressing rooms, office, waxing room and team storage area.

These are only some of the highlights of the past fiscal year. *Overall, FY 2003 was an important, constructive year for the Borough and its residents.*

OUTLOOK FOR FY 2004 AND BEYOND

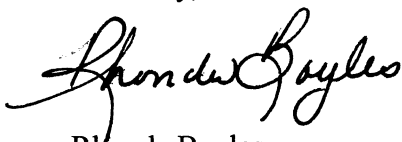
While the approved FY 2004 budget addresses the needs and concerns of the Borough for the current fiscal year, there are several issues and concerns on the horizon that will likely occupy Administration and Assembly time and energy in the coming months.

- Low investment returns are expected to cause PERS and TERS rates to increase next year, likely to the tune of several million dollars.
- State fiscal issues will continue to be a focus of Borough attention due to their local fiscal impacts.
- Implementation of the Governmental Accounting Standards Board (GASB) 34, the New Reporting Model, has been challenging to meet the new, three-focus, reporting model, and new infrastructure and fixed asset reporting requirements. But, we are confident that we will implement the new model within the required guidelines.

As mentioned earlier, 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.

In closing, I would like to express my appreciation to the Assembly for the support it demonstrated during the FY 2004 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. 2003-20
- Mill Levy Resolution – FNSB Resolution No. 2003-36