



## 2019 BUDGET POLICY STATEMENT

### INTRODUCTION

The annual budget articulates the City's spending plan for the coming year. It reflects the priorities and parameters set by City Council, which were developed during numerous venues for discussion and public input throughout the year, and which were articulated during a workshop held on July 18, 2019.

### BACKGROUND

**Budget Climate:** Proposals from the State government dominate the current budget discussions. As of July 30, the special legislative session is not concluded, and numerous far-reaching state proposals are undecided. The City remains engaged in state-level proceedings; Council has sent City representatives to Juneau to provide testimony, and City management has conducted a public Town Hall meeting to apprise the community of the impact of state proposals.

Senate Bill 57 is the most radical and impactful of the state-level proposals. This bill stipulates removal of oil and gas properties from the City's tax roll, directly eliminating \$38MM, or 80% of the City's revenue. Though this bill has not been released by the Finance Committee in 2019, the City anticipates that this will be an ongoing issue with each legislative session.

The Governor's FY2020 budget includes a 50% reduction in school debt reimbursement, which reduces City revenues by approximately \$400,000, and also a reduction in state revenue sharing, further reducing City revenues by an estimated at \$50,000. Other pending state spending cuts will indirectly impact the City's budget by reducing funding for numerous community stakeholders such as the schools, community non-profit groups, and Providence-Valdez Medical Center.

Council is alert to the community-wide impact of these measures, and is anticipating more detailed deliberations with its funding partners once the state budget details are finalized.

**TAPS Valuation:** 2020 is the final year of the five-year valuation settlement among the State, Industry, and local government parties. Though this agreement established a lower value than what the Courts have historically awarded, it had the benefit of providing a fixed figure and eliminating the costly and time-consuming appeals processes for the benefit of all stakeholders. Council, City Attorney, and management have begun to formulate their strategy as the end of the settlement period approaches.

**Council Priorities:** Though the long-term revenue picture is highly uncertain, Council has articulated a “stay the course” approach with the 2020 budget. Construction projects and deferred maintenance remain as high priorities, and funding for project management staffing and contracting will reflect this prioritization. Council will continue to drive progress on the list of priorities and initiatives articulated in the adopted 2019 budget, and will further prioritize that list following status updates from management.

## **REVENUE ASSUMPTIONS**

**Property Tax:** In the absence of Council consensus, staff will present a revenue budget reflecting the maximum levy of twenty mills along with an analysis of a mill levy reduction to allow for reduced reserve-fund appropriations.

**Permanent Fund Appropriation:** As with the 2019 Budget, staff will continue to present the maximum allowable 1.5% Permanent Fund appropriation, totaling \$3MM, as a Reserve fund appropriation. This gives Council flexibility to utilize this appropriation mid-year as circumstances warrant, without disrupting the underlying investment performance by liquidating assets.

**Intergovernmental Revenue:** The 2020 Budget will reflect a \$400,000 reduction in debt-service reimbursements, and a \$50,000 reduction in the State revenue sharing, pursuant to the State’s pending FY 2020 Budget and related vetoes. Other State

and Federal grants and payments in lieu of taxes will be reflected as status quo.

## **EXPENDITURE GUIDELINES**

Expenses are to be held at current levels. Inflationary increases and other proposed increases will be considered, but will entail increased scrutiny and analysis, and should include offsets wherever possible.

**Personnel:** Council does not at this time direct management to reduce authorized personnel, nor to implement a personnel attrition plan. Council has directed management to present requests for personnel separately in advance of the regular budget workshop schedule. Personnel changes, particularly increases to full-time employees, will be considered insofar as they support explicit Council priorities and/or programming and service-level objectives, or if they produce operational efficiencies that fully offset their costs.

**Cost of Living Increases:** Staff will present personnel costs with a cost of living adjustment reflecting the most-recent twelve-month official Anchorage inflation. Staff anticipates a 3% inflation figure, which entails an approximate \$350,000 increase over the 2019 budget.

**Education Support:** Council re-affirmed its commitment to fund the school system to the maximum allowed by state statute.

**Energy Assistance Program:** Council directed staff to continue with funding for both residential and commercial consumers at \$550 per account, to be paid directly to the utility providers.

**Community Service Organizations:** Council recognizes the impact of State budget cuts to local non-profit service providers, and is anticipating requests for increased City support from some regular grant recipients. These will be considered on a case-by-case basis during a dedicated budget workshop. Finance staff will present requests directly to Council, along with an analytical summary of the requests and the organizations' operations. Council requests that organizations not impacted by State budget cuts present no requests for increased funding so as to enable Council to have the maximum latitude to increase funding for potentially distressed organizations.

## CONCLUSION

Council will continue to assess the overall operating picture in terms of its impact on projected surpluses or deficits, using "***The Lines***" modeling established by Finance staff. Council has further tasked management with developing and forwarding financial policies and quantifiable targets to aid in Council-level analysis and planning to ensure service-level sustainability and long-term solvency.

Dated this 6<sup>th</sup> day of August, 2019

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Jeremy O'Neil, Mayor

ATTEST:

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Sheri L. Pierce, MMC, City Clerk