

Readers' Guide

READERS' GUIDE OVERVIEW

Welcome to the Fairbanks North Star Borough's Approved Budget for Fiscal Year 2004

This READERS' GUIDE is a tool to guide you through this document. Its primary goal is to enhance the readability of the budget document, thereby increasing its usefulness as a communications device. It provides some basic information about the area and its governmental structure. It explains the formatting of individual departmental budget sections, and the process of creating and adopting the Borough's primary planning and policy tool—the annual budget.

The READERS' GUIDE has been designed to answer some of the more commonly asked questions regarding the Fairbanks North Star Borough budgets and other topics.

- What type of government structure does the Borough operate under?
- What are the Borough's areas of responsibilities or "powers?"
- How does the School District and the Borough inter-relate?
- When is the budget prepared, and how does the budget cycle operate?

What is contained in the department sections?

How is the departmental budget data organized?

What is fund accounting?

What is the Borough's basis of Accounting and basis of Budget?

Readers, who are primarily interested in the "bottom line" of expenditures, personnel, or the approved mill levies, can find these items in the "Budget Summary" section.

Copies of the Recommended and Approved Borough Budget are available for viewing at the Noel Wien and North Pole Public Libraries as well as at the FNSB Finance and Borough Clerk Departments located in the Borough Administrative Center, 809 Pioneer Road.

STATISTICAL ACCOMPLISHMENTS:

A new "Statistical Accomplishments" page for each Division within each Department (except Administration Divisions) has been added to the Expenditure Section. This page is a five-year comprehensive measurement of Statistical Accomplishments specifically and uniquely related to each budget. The final year is a projection used by the Borough for the efficient allocation of budgeted resources. Readers will find that this information provides further explanation to departmental and funding descriptions. In the future, Directors and Managers will use these performance indicators not only as a basis for budgeting and as an area to highlight significant accomplishments but also to examine potential areas of problems in terms of inefficiencies and resource allocation as well as external environment factors, i.e., events unrelated to Borough management that may or may not adversely affect a department or division. These new pages are significant tools for a future efficiently managed Borough.

Readers' Guide

THE FAIRBANKS NORTH STAR BOROUGH

BOROUGH GOVERNMENT STRUCTURE:

Brief Introduction to the Borough

The Fairbanks North Star Borough is a second-class Borough incorporated on January 1, 1964 under the provisions of the State of Alaska Borough Act (1963), as amended. The Borough covers 7,361 square miles within the Tanana River Valley of the interior region of Alaska.

The Borough population is 84,791. Two first-class cities are located within the Borough's boundaries; North Pole with 1,683 residents and Fairbanks with a population of 29,670. North Pole was incorporated in 1953. E. T. Barnette incorporated Fairbanks in 1903 following the nearby discovery of gold by Felix Pedro. There are also two large military installations within the Borough, Fort Wainwright Army Post and Eielson Air Force Base. These installations account for over one-fifth of the Borough's population. Fort Wainwright has a current population of 10,981 (active military personnel–4,490 family members–5,591). Eielson Air Force Base has a current population of 7,622 (active military personnel–3,516 and family members–4,106).

Economics

On the whole, the "health" of the Fairbanks North Star Borough community is good. The Borough continues to maintain solid, steady growth, albeit slower than in previous years. The Alaska Department of Labor predicts gains of job growth at about 1.7 percent for 2003 with its growth stretching from 13 to 15 years. Service, retail and construction industries are and will continue in the future to be the stimulants of growth and will create the greatest number of new jobs. Service-providing industries are predicted to be the most stable, as well as those with the most future growth potential while the largest increases and decreases occurred within the Goods-Producing sectors. Government continues to remain the top employer and comprises about 34 percent (10% Federal, 15% State, and 9% Local) or about 11,850-jobs within the Borough, reflecting a gain of 3.6 percent from CY 2001 to CY 2002 of about 400 jobs. This was due to an increase in Federal employment of 1.5 percent (50 jobs), State employment of 8.7 percent (4,00 jobs) and Local of 3.3 percent (100 jobs). The University of Alaska Fairbanks comprises about 71 percent of State government employment. In the private sector, health services remain a top industry. Fairbanks Memorial Hospital/Denali Center remains the Borough's largest non-governmental employer, employing about 1,098, of which 800 are part-time.

Government Structure

The Borough operates under a Mayor-Assembly form of government. This is the strong mayor form of government, as the mayor is the chief executive officer. The mayor can introduce legislation, has veto power, and manages the everyday operations of the Borough.

The legislative powers are vested in an Assembly. The Assembly is composed of eleven elected officials, each elected at-large for three-year staggered terms. Initially, the Borough exercised three mandatory powers: assessment and tax collection, schools, and planning and zoning. Voters have approved additional powers. Currently, the Borough has the following powers:

Readers' Guide

Areawide powers: property assessment and tax collection, public schools, planning and zoning, animal control, flood control, hospital (not exercised), library, air pollution control, disaster and civil defense, enhanced 911, solid waste disposal, parks and recreation, transportation system, child care assistance, and limited health and social services powers.

Non-areawide powers: fireworks control, emergency medical services, solid waste bonds, and economic development. These powers are exercised in the area of the Borough outside the cities of Fairbanks and North Pole.

Special district powers: Solid Waste Collection powers are exercised in a special district created in 1991 that includes the area outside the City of Fairbanks.

Service area powers: road maintenance and construction, fire protection, water supply, sewage disposal, and streetlights in specific service areas. These services are exercised in specific areas upon petition and adoption by vote of the residents of the specific service area. Currently there are 113 active service areas in the Borough outside the cities of Fairbanks and North Pole in which one or more of these services are provided.

SCHOOL DISTRICT:

The Fairbanks North Star Borough School District is a component unit of the Borough. The School District has its own elected board which is responsible for setting policy and expenditure appropriations.

The Borough does assume various funding responsibilities for the School District. The Borough is responsible for the construction and capital improvement of all facilities used by the School District as well as the issuance and repayment of school construction debt. The Borough also determines the amount of local funding the School District will receive in excess of the state mandated minimum contribution of 4 mills of property tax. Additional information about School District funding can be found in the Education section of the Expenditure budget.

THE BUDGET PROCESS

BUDGET APPROPRIATIONS:

The annual budget is the vehicle through which the Borough Assembly establishes the appropriations for the Borough. The budget is a policy document, financial plan, operations guide, and communications device that reflects the allocation of limited revenue among competing uses. The allocation is accomplished through passage of an annual appropriation ordinance.

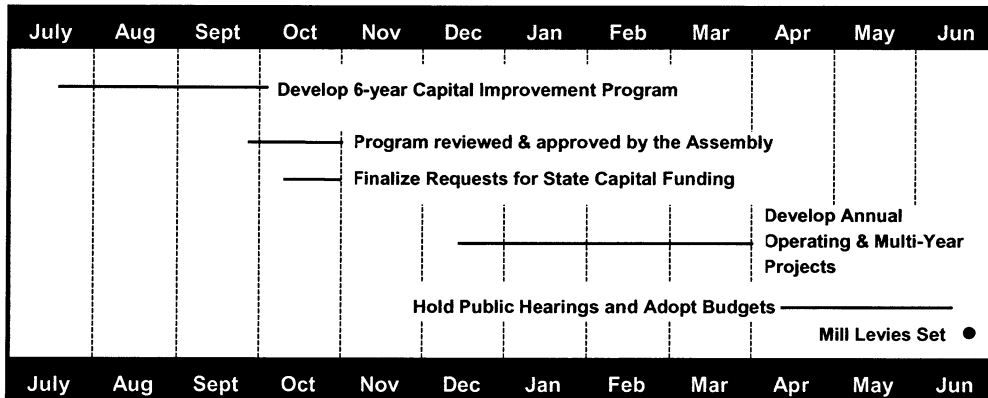
This appropriation ordinance authorizes spending during the fiscal year based on estimates of the financial resources required to support these expenditures. The appropriation level is by "fund" and by "department"; therefore, the budget is developed and presented to facilitate both.

FY 2003–2004 Budget
Fairbanks North Star Borough

Readers' Guide

BUDGET CYCLE:

Annual Budget Cycle – The annual budget cycle begins with the development of the Six-Year Capital Improvement Program in July and is completed with the appropriation for the budget in the following May, for the fiscal year beginning on July 1st.



Annual Budget Cycle

CAPITAL IMPROVEMENTS PROGRAM:

Developing the annual budget begins in July, with updates to the six-year Capital improvement (CIP) and Major Maintenance Programs. Borough Departments and the School District are asked for their input regarding the capital improvement and major maintenance project data compiled the previous year. These submittals result in the deletion of projects completed, addition of new projects, changes in requested year, changes in project descriptions and project modifications.

The Public Works Department assists the Capital Improvements Committee in prioritization, cost estimating, and project scoping. The Mayor presents an information copy of the Six-Year Program to the Assembly in late September. Hearings are held and the capital requests for State capital funding are finalized and a capital funding request is submitted in November to the Interior Delegation of the legislature.

Capital Improvement projects identified for local funding become part of the Multi-Year Projects for the following fiscal year. The Multi-Year Projects is presented to the Assembly in April with the annual operating budget for appropriation of local funds.

ANNUAL OPERATING BUDGET GUIDELINES:

During December and January the Mayor and Department Directors assess the financial environment and prepare documentation about needed changes in doing business for the following budget year. Given the revenue constraint, the Mayor evaluates these recommendations for changes in existing programs and/or new programs, and prepares a program and funding authorization level for each department.

Readers' Guide

OPERATING AND CAPITAL BUDGET DEVELOPMENT:

Departments prepare their budget detail within the Mayor's authorization level. The Mayor reviews the submittals and makes final adjustments. The Mayor's Recommended Budget is presented to the Assembly on the first Thursday following the 1st of April. The Assembly Finance Committee holds work sessions with the Departments and makes recommendations to the full Assembly.

The School Board presents its request for local funding for education on April 1st. The Assembly must determine the minimum local effort for education on or before May 1, or the School Board's request becomes final. The Assembly often passes a resolution specifying the local effort prior to the end of April, and includes the appropriation of the local effort in the annual operating budget appropriation.

PUBLIC HEARINGS AND ADOPTION:

The Assembly holds budget hearings and accepts the budget, with or without amendment, prior to the end of May for the budget year beginning the following July 1st. For a minimum of thirty days prior to the public hearing, reference copies of the entire budget document are available at key public locations throughout the Borough. According to Alaska Statutes, the appropriation for local support of education must be adopted by May 31. Funds are appropriated by ordinance. Appropriations are made for each department and each fund in the annual operating and capital budget. Supplemental appropriations and transfer of appropriations are also approved by ordinance.

MILL LEVIES:

A resolution establishing mill levies is presented by the Mayor. Alaska Statutes provides that the mill levy must be established prior to June 15th. The voter approved tax limitation is recomputed prior to mill levies. These tax caps limit the amount of taxes that can be levied one year to the same amount as was levied the previous year, with exceptions for debt service, judgments, new construction and property improvements, and voter approved special services. The maximum tax that can be levied this fiscal year each taxing jurisdiction is detailed in the Appendices section of this budget.

BUDGET AMENDMENT:

As provided by Alaska Statutes and FNSB Code, the Borough Assembly must adopt any amendments to the budget, made throughout the fiscal year, by ordinance. Advance public notice and a public hearing are required prior to adoption of an ordinance.

WHERE TO FIND ADDITIONAL STATISTICAL INFORMATION REGARDING THE FAIRBANKS NORTH STAR BOROUGH:

Statistical information that is updated annually can be found in the Borough's Comprehensive Annual Financial Report. Accordingly, we would like to direct the reader to the supplemental information that can be found there.

In addition to the annual financial report, another comprehensive source of statistical information that the Borough is especially proud of is its publication titled: Fairbanks Community Research Quarterly. This document, approximately 50 pages in length, is updated and published quarterly by the Community

Readers' Guide

Research Center, a division of the Community Planning Department. There the reader will find a broad range of very current information under the major category headings of: Fairbanks Economy at a Glance, Economic Indicators, Employment, Housing, Cost of Living, and Population & Social Conditions. The reader may request this document at: Community Research Center, P.O. Box 71267, Fairbanks, Alaska, 99707-1267, or by calling: (907) 459-1212.

BUDGET PRESENTATION/LAYOUT

The budget document is divided into several tabbed sections. The contents of each section are summarized below.

The **Table of Contents** section is the beginning of the document. This section contains the Table of Contents for the budget document as well as the Borough's Distinguished Budget Presentation Award.

The **Mayor's Message** section contains the Mayor's transmittal letter to the Assembly and Borough residents, the budget ordinance, and the mill levy resolution.

The **Introduction** section contains the FNSB organization chart, Assemblymember and key personnel lists, a map of the Borough, and this Readers' Guide, all of which contain statistical information about the Borough.

The **Budget Summary** section of the document contains budget highlights, charts, graphs and schedules giving an overview of the revenues, expenditures, and position counts.

The **Revenue Budget** section presents assessed valuation and tax rate information for the taxing jurisdictions. It also includes the revenue side of the annual budget in detail and in summary form. All revenue assumptions are explained.

The **Budget by Funds** section contains the details of the appropriations at the fund level. The appropriation level is by "fund" and by "department". This section presents the "cross walk" between the appropriations at the "fund" level and the departmental appropriations. It also provides a brief description of each fund for which expenditure detail is contained in the budget document. All changes in the structure of funds, from FY 2003 to FY 2004, are noted. Each fund budget contains a three-year history of fund activity, revenues, and expenditures.

The **Expenditure Budget** section presents each department's detailed expenditure plan. A department or division budget contains a mission/program description, major long-term issues and concerns, objectives for the fiscal year, significant budget changes, and previous year's accomplishments. Expenditure detail (at line-item level) is provided for each division and in summary for each department. All detail pages contain historical data for the current budget year and two prior fiscal years. In addition each division provides a page of statistical accomplishments that provide data specific to the division for the last 4 years and a projection of expected results for the future budget year. The full funding sources and revenues generated for the budgets are shown in the revenue section and budget by funds section of the budget. Program revenues and/or fees directly related to services provided by a division are also shown at the bottom of the expenditure detail pages of each division, where applicable.

Readers' Guide

Additionally, contained in the Expenditure section is the budget detail for Education, Debt Service, Non-Departmental, Multi-Year Projects, Facilities Major Maintenance, Grants, Interfund Charges, and Service Areas.

Education: This is fully explained previously in this Readers' Guide under School District.

Debt Service: Accounts for the payment of principal and interest on areawide general obligation debt for education and general government construction, and non-areawide general obligation debt for solid waste transfer station improvements.

Non-Departmental: Contains funding for maintenance of the Fairbanks Regional Health Center, valuation of specialty properties, and excess health care costs up to five percent over budgeted amount and other benefit overages.

Multi-Year Projects: Contains the projects identified for local funding in the first year of the Six-Year Capital Improvement Program; projects identified as Other Capital Expenditures, which include large dollar item capital requirements for facilities improvements and upgrades, major computer requirements, and other capital equipment replacements.

Facilities Major Maintenance and 6-Year Plan: Shows funding needs for the Facilities Maintenance Reserve Fund as detailed in the Six-Year Capital Improvement Program for the current year and prior years. In establishing the Facilities Maintenance Reserve Fund, the Borough recognized that their major investment in public assets requires regular, ongoing care and maintenance to allow uninterrupted services to the community and to prevent premature aging of the facilities. The Facilities Maintenance Reserve Fund will accumulate local funds, when available, and other revenues, as they become available, for major facilities maintenance, repairs, and upgrade costs. Some projects could result in energy efficiency savings and life/safety improvements. The Facilities Major Maintenance section includes a list of all major Borough-owned school facilities, Borough facilities, and fire stations, with insured building values, square feet, calculated replacement values, calculated major maintenance funding recommendation, and projects included in the Six-Year Capital Improvement Program, both new projects and projects deferred from prior years.

Grants: 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.

Interfund Charges: Presents the intragovernmental cost pool calculation for both revenues and expenditures, at the budgetary unit level. Those amounts/calculations that cross funds (as opposed to calculations which are for services between budgetary units within the same fund) are appropriated. This interfund charge is the mechanism used to redistribute direct costs incurred in one budgetary unit but actually benefited another.

Service Areas: Covers road, fire, and other service areas established to provide road maintenance and construction, fire protection, water supply, sewage disposal, and streetlights to

Readers' Guide

Borough residents in specific areas. Revenue for these services is provided by location taxation, state-shared revenue, specific grants, and interest earnings (accrued from their share of the Central Treasury cash balances).

The **Appendices** section contains a variety of schedules, salary schedules, personnel detail, benefit rate detail, and the maximum tax computation schedule.

Readers' Guide

BASIS OF ACCOUNTING/BUDGETING

FUND ACCOUNTING

The accounts of the Borough are organized on the basis of funds and account groups; each is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid in financial management by segregating transactions of various Borough functions and activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into three generic fund types: governmental, proprietary, and fiduciary. In addition, the School District is classified as a component unit of the Borough. More detailed information about the funds of the Borough can be found at the beginning of the Budget By Funds section of this budget.

BASIS OF ACCOUNTING

Basis of accounting refers to the method by which revenues and expenditures are recognized in the accounts and reported in the financial records of the Borough.

Modified Accrual

All governmental funds and fiduciary funds of the Borough are accounted for using the modified accrual basis of accounting with revenues recognized when they become measurable. A revenue is "measurable" when the amount of the transaction can be reasonably determined. Property tax revenues are accounted for (accrued) when they are levied and available to finance expenditures of the current period. Hotel-motel room taxes are accounted for (accrued) in the period they are both due and collected. Delinquent sales tax revenues are accrued when collected. Certain grant revenues are dependent upon expenditures, and revenues from these grants are recognized when the expenditures are made; revenues from other grants are recognized on the cash basis. Charges for services and miscellaneous revenues are recognized on the cash basis. Interest income is accrued when earned. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for principal and interest on general long-term debt which is recognized when due. Annual leave is accrued as it is earned and is budgeted for on a current basis.

Accrual

The proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned, except for revenues from land disposals, which are recognized on the installment method. Expenses are recognized when they are incurred.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is utilized as an extension of formal budgetary control. For accounting purposes, outstanding encumbrances at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year.

Readers' Guide

Operating Transfers

Transactions between funds are reflected as operating transfers in this budget document. Transfers from the General Fund exceed transfers in from other funds because taxes and state revenues are collected in the general fund and transferred to other funds to cover expenditures. Education, debt service, capital projects, transit, and Carlson Activity Center are the main funds that receive operating transfers from revenues collected in the general fund. The expenditures/expenses for these services are accounted for in their own funds, rather than in the general fund, in order to demonstrate legal compliance and to aid in financial management by segregating transactions of these Borough functions and activities.

BASIS OF BUDGETING

The Borough recognizes revenues and expenditures for budgetary purposes essentially on the same basis it uses for its basis of accounting, except for Proprietary (Enterprise and Internal Service) Funds. Annual appropriations lapse at year-end, except for that portion related to encumbered amounts. Encumbrances outstanding at year-end and related budgets are carried forward to the new fiscal year for budgetary purposes in the Borough's financial records. The budgets presented in this document, however, do not include budget increases related to carried- forward encumbrances. Appropriations for those special revenue and capital project funds with project budgets do not lapse until the purpose of the appropriation has been accomplished.

Although Proprietary Funds use the accrual basis of accounting, their budgets more closely follow the modified accrual method used for other funds. For example, the Proprietary Fund budgets include capital outlay amounts for the initial purchase of fixed assets, but do not include budget amounts for depreciation of those fixed assets. Conversely, the Proprietary Fund statements in the Borough's Comprehensive Annual Financial Report do not reflect capital outlay expenses but do include depreciation expense. In addition, the Solid Waste Disposal Enterprise Fund budget does not include an amount for recognition of increases and decreases in landfill closure and postclosure care cost liability; when landfill closure and postclosure care activity is ready to begin, those amounts will be budgeted.