

# Fairbanks North Star Borough

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May 19, 2005

The Honorable Garry Hutchison  
Presiding Officer  
Fairbanks North Star Borough Assembly

Dear Mr. Hutchison:

This budget adheres directly to two basic principles:

- The Borough will provide for that which a majority of the public demands, which cannot be provided by a competitive private sector; and
- A majority of the public must be willing to pay for that which it demands.

Simply put, this budget pays for that which a majority of the public wants the Borough to provide; nothing more. The budgetary demands of various community interest groups are far greater than the willingness of a majority of citizens to pay for. For this reason a balance between demand and willingness to pay is central to the budget.

For example:

- The Fairbanks North Star Borough Board of Education requested a \$2.4 million increase from the prior year; this budget provides for a \$1.48 million increase.
- The Fairbanks Convention and Visitor's Bureau could do good work if they were provided with the funding they'd like, but this budget provides only limited additional funding.
- The Fairbanks Economic Development Corporation could also do additional good work given a higher level of funding; this budget provides for only limited additional funding.
- South Davis Park could easily utilize additional funding as well as the libraries and public transportation system. Every Borough department and every Borough function could use additional funding.

However, every request for funding had to first meet the needs test, and then withstand a public approval process. For that reason every request for funding was weighed against all other relevant factors which affect members of the public. A key component to public approval is the manner in which the Borough operates. The public expects that Borough provided services will be delivered to a standard of excellence: polite, competent, professional employees; safe, clean, well-maintained facilities; and timely straightforward responses to inquiries, suggestions and applications. This budget funds Borough operations at a level which allows excellence to be attained.

Another major concern on behalf of the public is the ratio between the real rate of taxation and per capita income. When the real rate of taxation increases faster than per capita income then the public should correctly be very concerned. While we have not crossed that threshold, it is clear that we may be trending in that direction (see Attachment A). For that reason this budget includes as a mitigating factor, an under the cap spending amount of \$1.9 million, that effectively lowers the mil rate and subsequently the real rate of taxation. Additionally, the Borough is aggressively pursuing a fair and realistic assessment for the Trans Alaska Pipeline System. If we are successful the overall mil rate will decrease further. Additionally, an ordinance has been introduced which will lower taxes on primary residence properties with a value under approximately \$350,000 which if passed by the voters will lower the mil rate for those most adversely affected by a negative ratio of real taxation to per capita income. It should also be noted that for senior citizens and disabled veterans the first \$150,000 of value assessed to a primary residence has been and will continue to be exempt from taxes as required by state law, thereby ensuring that the vast majority of citizens relying upon a fixed income are protected.

Another major consideration that must be given on behalf of the public is economic growth and resulting new construction that adds significantly to the tax base and thereby reduces the real rate of taxation on existing taxpayers (see Attachment B). This budget is reflective of the very positive effect that is provided by economic growth; over \$3.5 million of costs have been paid for by new construction taxation resulting from growth. The budget places a continuing emphasis on growth. Attachment C, Budget Highlights, provides insights on these and other budgetary issues.


Other offsets that also help reduce the real rate of local taxation are revenues that come to the Borough from non-tax sources; mainly State and Federal grants (see Attachment B). This budget continues to provide the small resource necessary to ensure that this significant and growing funding source continues to have a positive effect on the over-all budget.

Every effort has been made to put forward a budget that balances the needs of a majority of the public, by the willingness of a majority of the public to pay for those needs. Concurrently this budget continues to meet the budgetary goals established last year:

- Delivery of Borough services to a standard of excellence.
- Efficient delivery of Borough provided services.
- Accelerated economic growth.

Balance, excellence, efficiency, and growth are reasonable and attainable goals. They are consistent with the vision of the Fairbanks North Star Borough as a prosperous, self-reliant, and forward moving community, one in which we can all be proud to live in.

Sincerely,

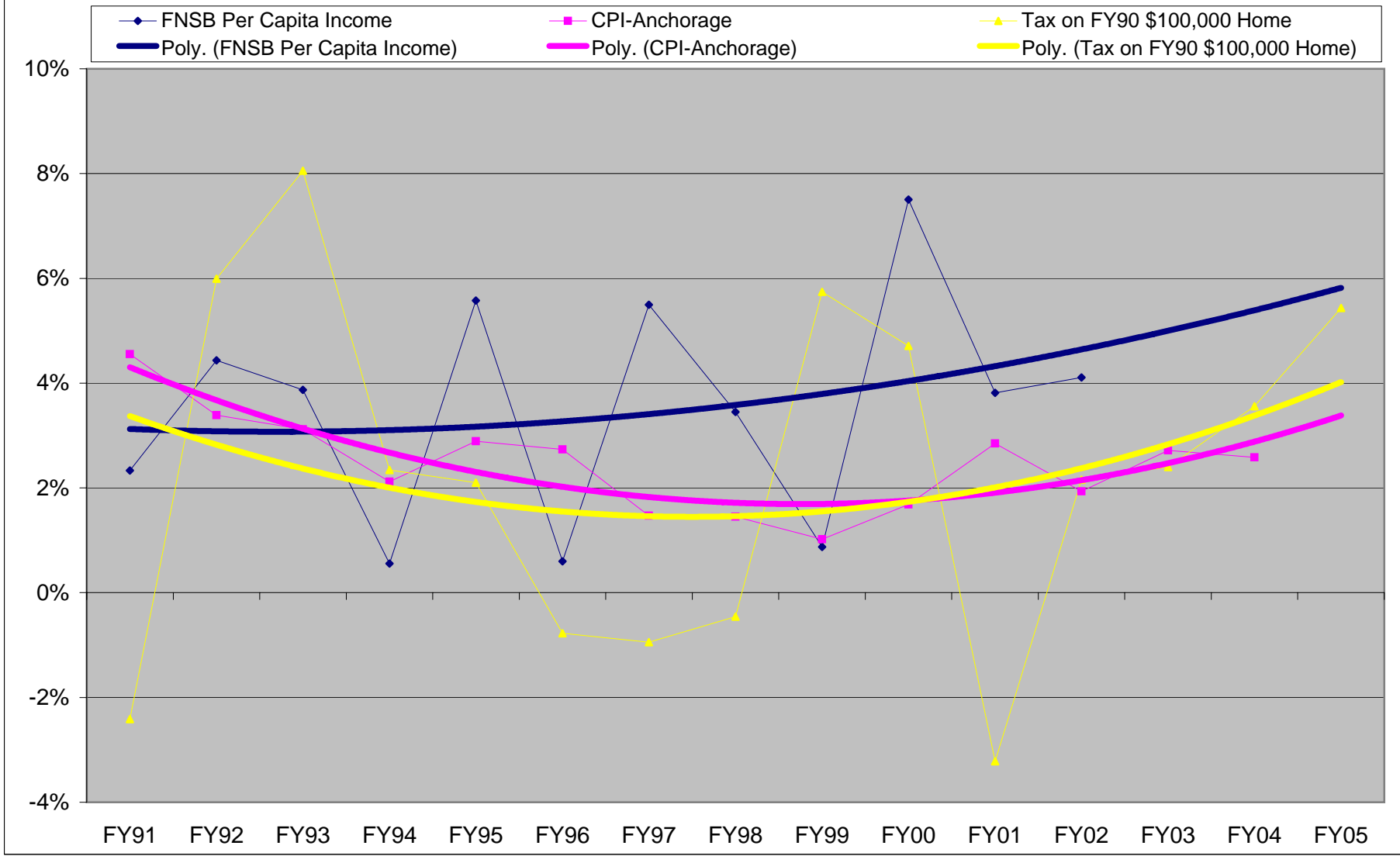


Jim Whitaker, Mayor

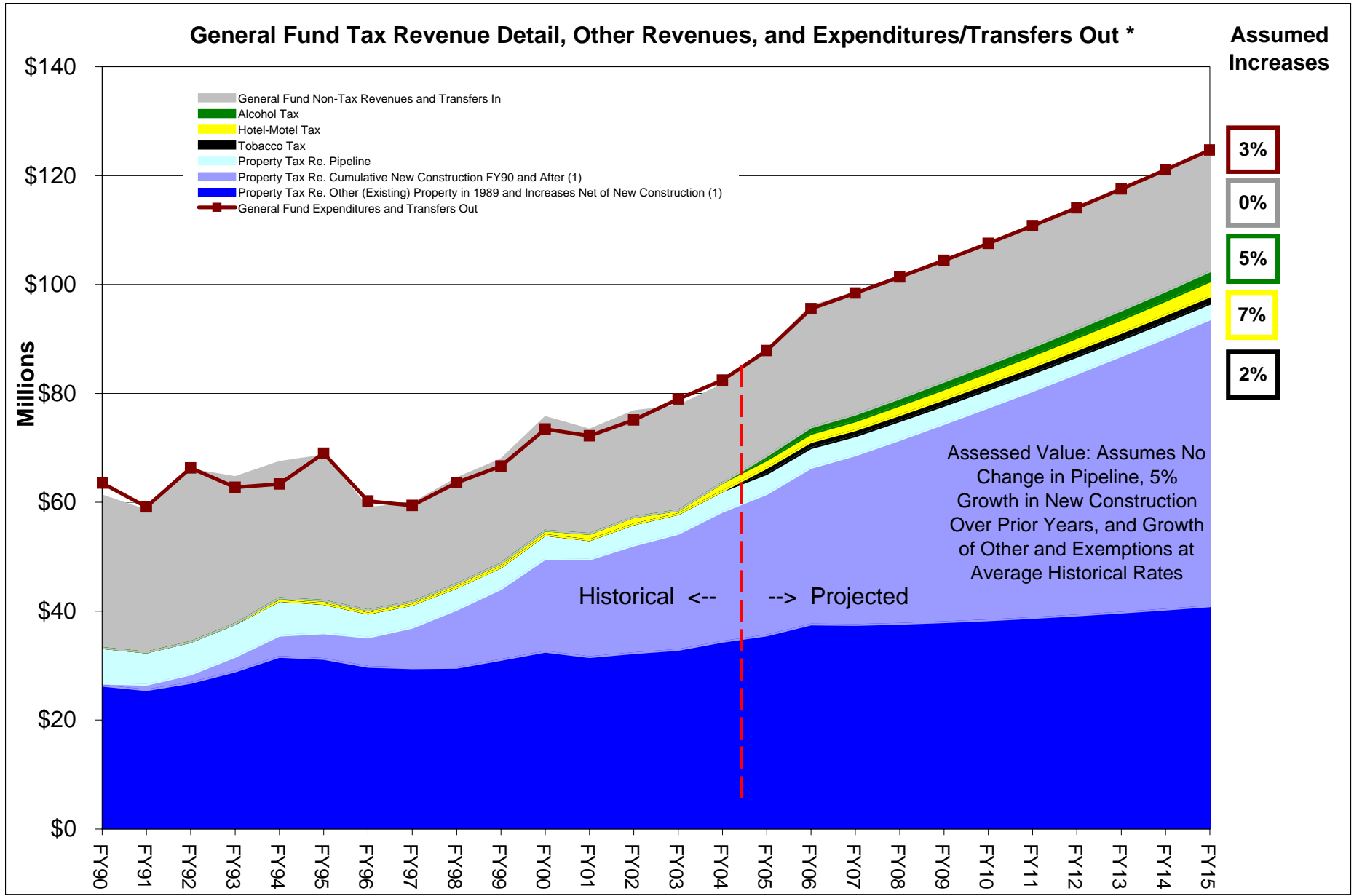
Attachments

# FNSB FY 2006 Mayor's Message, Attachment A

## Percentage Increases from Prior Year Created on 3/24/05 for FY06 Budget Process



## FNSB FY 2006 Mayor's Message, Attachment B



(1) Based on assessed values netted with exemptions.

## Budget Highlights

### Organizational Highlights

#### NOTEWORTHY BUDGET ACCOMPLISHMENT/CHANGES/ADJUSTMENTS

- A significant noteworthy accomplishment of this budget is that even though the CPI cost increase this budget is built around is 2.60%, the average increase in taxes on properties that were on the tax rolls at 12/31/2004 is only 1.56%. Specifically, \$3,745,732 of the areawide increase of \$4,765,450 is from new properties added to the tax rolls. The difference, \$1,019,718 divided into last year's assessment (\$65,189,480), equals the 1.56% increase.
- As a cost control measure, and to enhance the Borough's comfort with the safety of the vehicles Borough employees use during the normal course of their duties, this budget reflects cuts in car allowance and mileage reimbursement lines, but expands the use (and cost) of Borough owned fleet vehicles, resulting in increased safety and a net cost reduction.
- A new areawide-funded Economic Development Division has been added to the Mayor's Department to ensure continued economic growth.
- The Facilities Maintenance Department has been moved back to be a Division of Public Works to allow for more efficient coordination of design staff with maintenance staff.

#### MAJOR ISSUES AND CONCERNS

- PERS and TRS rates are increasing annually at a rate of 5% per year. Starting with FY '05, funding the 5% per year cumulative increases, until up to a 30% contribution rate is reached, are of major concern.
- Maintaining a relationship where the real rate of taxation does not exceed the per capita income rate of growth.
- Maintenance of economic growth and new construction trends in to future years.
- The deployment of a large number of military personnel from Fort Wainwright and Eielson Air Force Base to the middle-east will likely have an economic impact on the local economy, in addition to the widespread concern for their safe return.
- Reductions in school enrollments will further reduce future State education funding, which in turn will cause funding pressures on other Borough services and programs.
- Impacts of the Borough's aging workforce are three-fold: 1) health care cost containment becomes more challenging, 2) as individuals in key management positions approach retirement eligibility there is concern over a loss of institutional knowledge, and 3) hiring qualified staff as the overall work force shrinks (boomer effect).
- Identification of local revenue alternatives to replace lost State-shared revenues, capital matching grant program funds, and the continued increases in senior citizen and disabled veterans property tax exemptions is needed.
- There is a need to put into place, or find, an adequate annual funding source for the facilities maintenance reserve fund, with the recent non-funding of the capital matching grant program this is a more critical concern.

### Expenditure Highlights

#### LOCAL EFFORT TOWARD EDUCATION

- Education continues to be the number one priority in the Borough, representing 39.4% of the general fund budget; when combined with school debt servicing of \$17,136,440, 57.2% of general fund revenues are dedicated to education.
- Local funding for education is set at \$38,022,700, up \$1.477 million from FY 2005's \$36,545,700.

#### LOCAL EFFORT TOWARD MULTI-YEAR PROJECTS

- Due to State funding cuts, the Capital Matching Grant Program provides no funding in this budget.
- The Facilities Maintenance Reserve Fund appropriation is increased \$830,000 to \$1,633,000.

## Budget Highlights

### Expenditure Highlights (Continued)

#### LOCAL EFFORT TOWARD DEBT SERVICING

- As a result of voter approved debt issuance, total debt servicing is increased \$1,115,220 from FY 2005's \$16,123,540 to FY 2006's \$17,238,760. The balance of funding for the October 2004 voter-approved school projects is expected to be funded with the \$9.75 million bond sale planned in early calendar year 2006.
- Total existing areawide debt will be \$139,280,000 at June 30, 2005 and \$128,635,000 at June 30, 2006

#### LOCAL EFFORT TOWARD GRANTS

- Funding for local grants and to matching grants was \$1,529,728 in FY '05; the FY '06 Budget has \$2,005,990.

#### STAFFING CHANGES TO BOROUGH SERVICES AND PROGRAMS

- Borough-wide, staffing decreased a net 7.57 full-time equivalent positions (FTEs) from FY 2005's Approved Budget of 369.01 FTEs.

<u>SUMMARY OF POSITION CHANGES</u>	
<b>FY 2005 Approved Positions (FTEs)</b>	<b>364.01</b>
<b><u>Fire Service Areas</u></b>	
North Star (not previously displayed)	4.00
Steese Volunteer (not previously displayed)	<u>1.00</u>
<b>Subtotal:</b>	<b>369.01</b>
<b>FY 2006 Changes:</b>	
<b><u>General Fund</u></b>	
Assembly Members, reduced per citizen vote	(2.00)
Assembly Members	(9.00)
Assembly - Records Management - Data Clerk	1.00
Legal - Assistant Borough Attorney	0.50
Assessing - Appraiser	1.00
Emergency Operations - Animal Control Manager/Veterinarian	(1.00)
Emergency Operations - Animal Control Manager	1.00
Financial Services-Acct.-Acct. Clerk (see project fund below)	1.00
Parks and Recreation - Maintenance - Parks Caretaker	0.33
Parks and Recreation - Aquatics - Recreation Specialist	0.60
Facilities Maintenance - Department Director	(1.00)
Public Works Administration - Deputy Public Works Director	1.00
Public Works - Design & Construction - Project Manager	(1.00)
Public Works - Design & Construction - Chief Architect	<u>(1.00)</u>
<b>Subtotal:</b>	<b>(8.57)</b>
<b><u>Project Funded</u></b>	
Computer Services - Application Support - Application Analyst	1.00
Computer Services - Network Services - Computer Coordinator	1.00
Financial Services-Accounting- Accounting Tech. V	<u>(1.00)</u>
<b>Project Funded Changes:</b>	<b>1.00</b>
<b>FY 2006 Positions (FTEs)</b>	<b><u>361.44</u></b>

#### WAGE AND BENEFIT ADJUSTMENTS

- The benefit rate is 56.3%, up from FY 2005's 51.4%. The 4.9% increase in the benefits rate is the net change after incorporating the PERS 5% FY '06 rate increase; this is on top of the FY '05 rate increase of 5% as well.
- Union contracts were renegotiated during FY 2003. The new contracts allow for a cost-of-living increase to be added to the pay scales for FY 2004, FY 2005, and FY 2006. The cost of living adjustment for FY 2006 is based on the annual rate of inflation using the Anchorage CPI Urban, using calendar year average to calendar year average, and is 2.6%.

FY 2005–2006 Budget  
Fairbanks North Star Borough

## Budget Highlights

### Expenditure Highlights (Continued)

DEPARTMENT	2004/05 APPROVED BUDGET	CHANGES THRU 12/31/04	2004/05 REVISED BUDGET	ADJUSTMENTS TO PROGRAMS	2005/06 RECOMMENDED BUDGET
Assembly	1,144,340	-	1,144,340	117,250	1,261,590
Mayor	1,198,140	(19,216)	1,178,924	155,986	1,334,910
Law	713,100	-	713,100	103,810	816,910
Assessing	2,036,600	-	2,036,600	229,300	2,265,900
Community Planning	1,494,530	-	1,494,530	140,210	1,634,740
Computer Services	2,267,780	-	2,267,780	309,430	2,577,210
Emergency Operations	3,149,430	135	3,149,565	225,545	3,375,110
Facilities Maintenance	3,217,290	-	3,217,290	(3,217,290)	-
Financial Services	3,389,060	31,731	3,420,791	318,909	3,739,700
General Services	1,288,600	-	1,288,600	86,500	1,375,100
Human Resources	2,449,220	-	2,449,220	83,150	2,532,370
Land Management	906,720	-	906,720	62,960	969,680
Library Services	3,928,570	-	3,928,570	263,250	4,191,820
Parks and Recreations	5,475,470	1,810	5,477,280	414,520	5,891,800
Public Works	10,007,140	-	10,007,140	4,601,210	14,608,350
Transportation	4,526,570	218,035	4,744,605	130,585	4,875,190
Education	36,545,700	-	36,545,700	1,477,000	38,022,700
Debt Service	16,123,540	-	16,123,540	1,115,220	17,238,760
Non-Departmental	594,610	-	594,610	150,400	745,010
Interfund Charges	2,304,970	-	2,304,970	485,950	2,790,920
Multi-Year Projects	3,485,500	117,301	3,602,801	2,860,069	6,462,870
Contributions to Fund Balance	423,000	-	423,000	403,620	826,620
	<b>106,669,880</b>	<b>349,796</b>	<b>107,019,676</b>	<b>10,517,584</b>	<b>117,537,260</b>

**Summary of Major Changes in Expenditures from FY 2005**

**106,669,880**

***FY 2005 Approved Budget***

- 31,731 Supplementary appropriation for Health and Social Service Program
- 220,315 Supplementary appropriation for Vehicle Equipment Fleet Fund
- 117,301 Supplementary appropriation for Multi-Year Projects
- (19,551) Reduced net appropriation for various budgets (mainly lower ARDOr grant)

**349,796**

***Total of Changes from FY 2005 Approved to FY 2005 Revised Budget***

**107,019,676**

***FY 2005 Revised Budget***

- 977,650 State-driven 5% PERS increase
- 230,760 Other personnel changes salary and benefits
- 462,980 2.6% cost of living adjustment and union and management longevity adjustments
- 202,650 Overtime Wages, Temporary Salaries and benefits
- 151,012 Benefit increase due to salary changes
- 1,477,000 Education increase
- 1,115,220 School debt service increase
- 1,727,069 Funding to Multi-Year Projects
- 278,830 Utilities and Motor Fuels increase
- 1,133,000 Funding to Facilities Major Maintenance Reserve Fund
- 150,400 Non-Departmental
- 150,000 Economic Development - Areawide
- 462,670 SWD Landfill Cover Material
- 874,423 Other program cost adjustments all funds (excludes salaries)
- 33,720 Child Care and Health & Social Services additional General Fund Funding
- 485,950 Adjustment to Interfund Charges
- 500,000 General Fund Fund Balance Designation
- 104,250 Increase in Contributions to Fund Balance

**10,517,584**

***Total of Changes from FY 2005 Revised to FY 2006 Budget***

**117,537,260**

***FY 2006 Recommended Budget***

## Budget Highlights

### Revenue Highlights

#### BOROUGH BUDGET REVENUE OVERVIEW

- The FY 2006 General Fund recommended budget is \$1,380,612 under the Areawide Maximum Property Tax Computation.
- The FY 2006 operating budget is \$117,537,260. It is \$10,517,584 (see the detailed breakdown on page 27) more than the revised FY 2005's \$107,019,676 budget, and \$10,867,380 more than FY 2005's approved \$106,669,880.
- Property taxes: \$69,312,430 areawide, \$1,438,090 non-areawide, and \$4,225,740 solid waste collection district (\$74,976,260 combined) which make up 63.78% of the revenue budget, as compared to FY 2005 budget's \$70,447,410, and 66.1%.
- State revenues: \$14,122,880 vs. \$12,407,590 (FY 2005 approved budget); make up 12.01% of the revenues.
- Hotel-Motel Room taxes are projected to increase to \$1,600,000 from \$1,400,000 (FY 2005 approved estimate), for a \$200,000 increase.
- In October 2003, the Borough voters approved the levy of a 5% Alcoholic Beverage Sales Tax. Alcoholic Beverage Sales taxes are projected to be \$1,200,000 from \$800,000 (FY2005 approved estimate) for a \$400,000 increase.
- In April 2004, the Borough Assembly approved the levy of an 8% Tobacco Distribution Excise Tax. Tobacco Distribution Excise taxes are projected to be \$1,100,000.
- Boroughwide budgeted interest earnings are projected to increase \$941,930 to \$2,518,850 from FY 2005's estimated \$1,576,920 due to anticipated improved market conditions.

#### GENERAL FUND REVENUES

- The General Fund budget is \$96,358,350 which is \$8,425,093 more than FY 2005's revised \$87,933,257.
- The levy for property taxes increased \$4,122,950 (\$3,539,850 from new properties and \$583,100 from existing properties, equating to a 0.89% increase) from FY 2005's \$65,189,480 to \$69,312,430 providing 71.93% of General Fund revenues. This increase is mainly due to voter-approved school debt and CPI adjustments.
- The increase in interest revenue for the General Fund is projected to be \$923,530 more than FY 2005 estimated projection.

### Mill Rate Highlights

#### AREAWIDE MILL RATE/ASSESSED VALUES

- The calendar year (CY) 2005 mill rate is 13.219, or a (.387) decrease from the CY 2004 levy of 13.606.
- Levied areawide property taxes in the FY 2006 budget are \$69,494,940 (\$68,105,030 when adjusted for delinquencies); and \$4,207,090 over FY 2004's \$65,287,850 (\$63,982,080 after delinquencies).
- Assessed valuation changes to "full taxable value": pipeline and associated personal property increased \$4,114,260; new construction added \$260 million and existing property valuations increased \$230 million. Combined with the exemption increases of \$15.4 million, the taxable assessed values increased from \$4.79 billion to \$5.28 billion.