



MUNICIPALITY OF ANCHORAGE

ASSEMBLY INFORMATION MEMORANDUM

AIM No. 14 - 2024

Meeting Date: February 13, 2024

1 **FROM: MAYOR**

2
3 **SUBJECT: 2023 QUARTER 4 EXPENDITURE REPORTS FOR GENERAL**
4 **GOVERNMENT, UTILITIES AND ENTERPRISE DEPARTMENTS, AND**
5 **ALCOHOL BEVERAGES RETAIL SALES TAX.**
6

7 In accordance with AMC 6.40.015.D, the following represents department year-to-date
8 expenditures of five percent or more compared to the budget using data queried from the SAP
9 system on January 17, 2024, with an effective date of December 31, 2023. Any transactions
10 not yet recorded in SAP will not be captured in this analysis, nor will transactions reported on
11 a trailing basis, such as year-end closing entries or 2023 items expected to be recorded in
12 2024. AMC 6.40.015.D general government revenue reports of one percent or more in the
13 aggregate are reported separately by the municipal Treasurer.
14

15 Attached to this report are 13 Exhibits:

- 16 2023 Budget to Actual Expenditures by Department
- 17 2023 Budget to Actual Expenditures by Department – Labor vs. Non-Labor
- 18 2023 Budget to Actual Expenditures by Department – Overtime
- 19 2023 Budget to Actual Expenditures by Department – Travel
- 20 2023 Budget to Actual Expenditures – Alcoholic Beverages Retail Sales Tax Fund
- 21 Anchorage Hydropower Utility Statement of Revenues and Expenses
- 22 Anchorage Water Utility Statement of Revenues and Expenses
- 23 Anchorage Wastewater Utility Statement of Revenues and Expenses
- 24 Merrill Field Airport Statement of Revenues and Expenses
- 25 Don Young Port of Alaska Statement of Revenues and Expenses
- 26 Solid Waste Services Administration Statement of Revenues and Expenses
- 27 Solid Waste Services Disposal Statement of Revenues and Expenses
- 28 Solid Waste Services Refuse Statement of Revenues and Expenses
29

30 Descriptions of overspending or underspending are generally as reported by responding
31 departments, with OMB only providing stylistic changes.
32

33 **Pending Items**

34
35 As mentioned during the January 18, 2024, Assembly Budget Finance Committee
36 worksession, several pending year-end labor expenditures may be posted retroactive to 2023.
37 The first possible year-end labor expenditure may be to post the 2023 Incurred but not
38 Reported (“IBNR”) liability retroactive to December 31, 2023 rather than during 2024 as is
39 customary. The second possible year-end labor expenditure may be to post a Fund 602 entry
40 to Workers Compensation, General Liability, and Automobile Liability claims payable and/or
41 claims IBNR, but then allocate these charges to “cost-causer” departments if such an exercise
42 is possible using the data available (2023 labor impact could exceed \$5 million).

1
2 Similarly, as mentioned during the January 18 Assembly Budget Finance worksession, the
3 Exhibits attached to this AIM report only the data recorded in the SAP system as of any
4 particular query date. Depreciation and Intragovernmental Charges (IGCs) have only been
5 posted through March 2023, Tax Anticipation Notes (TANS) have not been entered, nor had
6 the year-end split payroll been posted as of the query date. Therefore, these reports will be re-
7 presented to the Assembly when the “actuals” reflect full transactions.

8
9 At the end of December (100% through the 2023 fiscal year), departments have spent 94% of
10 their total collective budget. While 100% of labor has been incurred, as of January 17, 2024
11 the Controller Division had not yet posted the year-end payroll period that straddles 2023 and
12 2024. Therefore, the reports reflect 98% of labor transaction activity. A further breakdown of
13 expenditures and encumbrances on the second exhibit shows that 97% of the recorded labor
14 budget is spent while 92% in non-labor is spent or encumbered.

15
16 The following departments report total positive or negative variances of at least five percent.
17 Departments that are five or more percent overspent are listed first.

18
19 **Departments or Items at least 5% over Budget:**

20
21 TANS - TANS are only 5% spent or encumbered through November 30, 2023 (vs. the range of
22 86.5% to 96.5%) because 2023 TANS interest has not been recorded; interest is posted and
23 recorded when the TANS mature each December. However, TANS are included in the section
24 “Departments or Items at least 5% over Year-to-Date Budget” because known information
25 shows that 2023 TANS costs will exceed budget by more than 5% as discussed below.

26
27 The 2023 TANS transaction was comprised of a single \$125 million par value instrument with
28 a 4.25% coupon issued at a premium (thus, the 2023 TANS expense yield is lower than the
29 4.25% coupon, since cash proceeds received by the Municipality exceeded \$125 million).
30 TANS costs recorded in December totaled \$3,676,479 vs. a 2023 budget of \$2,887,000 which
31 will result in a 2023 budget overrun of more than 5%.

32
33 **Departments at least 5% under Budget:**

34
35 Chief Fiscal Officer – is 92% spent due to spending considerably less in Other Professional
36 Services - miscellaneous legal services - as the result of fewer special projects in 2023, along
37 with its desire to offset the projected over expense in labor due to the prior CFO leave cash out
38 amount.

39
40 Development Services – is 94% spent due to vacancies in the following positions: one Director,
41 one Mechanical Inspector, one Right of Way Officer, one Plan Review II, and one Plan Review
42 I (Permit Tech).

43
44 Equal Rights Commission – is 94% spent because of understaffing during 2023. However,
45 three of the four open positions have been filled, and the department is currently posting for
46 the 4th position.

47
48 Equity & Justice – is 94% spent compared to 2023 budget. The department reports that it
49 expected to come within final budget by filling in vacancies within OEO and OEJ departments,

1 however, Equity & Justice is still seeking to fill those vacancies putting us outside budget
2 thresholds.

3
4 Human Resources – is 94% spent due to vacancies.

5
6 Internal Audit – is 95% spent because since beginning of July 2023, the Director Position has
7 been vacant.

8
9 Management & Budget (“OMB”) – is 62% spent due to vacancies through most of 2023.
10 However, OMB recently filled the positions of administrative assistant, analyst, and Acting OMB
11 Director and has only one remaining vacancy.

12
13 Mayor – is 94% spent due to vacancies. The lapse is due to two causes: first, one of the
14 Mayor’s Office Community Grants was not disbursed, as the recipient did not complete
15 paperwork. Second, the Mayor’s Office expected certain non-labor costs to catch up by the
16 close of the year, but a planned \$30,000 contractor expenditure did not occur, and some other
17 purchases were declined, due to internal year-end purchasing policy.

18
19 Municipal Manager – is 94% spent due to savings on supplies, miscellaneous services, and
20 vacancies.

21
22 Parks & Recreation – is 90% spent due to unfilled budgeted positions the department is in the
23 process of recruiting for.

24
25 Planning – is 86% spent due to vacancies and timing of spend of non-labor contracts, including
26 the Spenard Corridor Parking Study; the feasibility study for developing manufactured housing
27 communities throughout the municipality; and a grant Anchorage Neighborhood Housing
28 Services DBA Neighbor Works Alaska towards a local match required for the Reconnecting
29 Communities Pilot Program. The department is actively working on efforts toward completing
30 these projects and has successfully recruited all vacant positions except one Associate
31 Planner. Additionally, the Planning Department is recruiting for one Senior Planner which is
32 grant funded. On January 9, 2024, the Assembly authorized a Fund 190 budget transfer, which
33 will increase spend to 95% once that appropriation is posted.

34
35 Police – is 95% spent because of personnel vacancies throughout the department with an
36 average of over 75 during this month. In addition to the cost savings from vacancies Police
37 experienced in 2023, the additional budget to actual variance is associated with transfer to
38 other funds and debt service.

39
40 Public Transportation – is 93% spent due to pending receipt of final invoicing for the year along
41 with unposted labor, overhead, and appropriations.

42
43 Public Works – is 35% spent due to vacancies.

44
45 Convention Center – is 60% spent through December 31, 2023, because a \$6.4 million 2023
46 CIVICVentures debt service payment has not been posted as of January 17, 2023.

47
48 Budget to Actuals – Alcoholic Beverages Retail Sales Tax Fund:

1 Following is the status of the spending through December 31, 2023, (100% through the fiscal
2 year), with postings as of January 18, 2024. The month-end processes have not yet been
3 completed for April through December, thus, the IGCs have not yet been posted for these
4 months. A follow up report will be issued and submitted to the Assembly once IGCs have been
5 posted.

6
7 The fund is 85% spent and encumbered for items that have been recorded into the SAP system
8 to-date.

9
10 Budget to Actuals – Utility and Enterprise Funds:

11 Following is the status of the activity through December 31, 2023, (100% through the fiscal
12 year), with postings as of January 12, 2024. April through December 2023 have not yet been
13 closed, therefore, IGCs and depreciation have not yet been posted for these months.
14 Therefore, earnings will appear significantly overstated until these months are closed and
15 expenses are posted. A follow up report will be issued and submitted to the Assembly once
16 depreciation and IGCs have been posted.

17
18 Additionally, reports will appear different than other reports recently received. First, dividends
19 paid to the entities' owner have been reclassified from an expense to a transfer (aka, an equity
20 distribution) to comply with accounting rules. Second, MUSA and MESA payments to the
21 municipality have similarly been reclassified from an expense to a transfer. Both changes will
22 increase each entities' net operating income and produce Exhibits that more closely mirror
23 those produced in the year-end Detailed Statements. Third, the Anchorage Water and
24 Anchorage Wastewater Utility reports now disclose Accretion of Debt Premium rather than
25 what had been previously incorrectly described as Amortization of Debt Expense (but showed
26 as a credit). Fourth, the previous reports had incorrectly omitted reporting depreciation
27 expense as an appropriated budgeted item; depreciation expense is now properly disclosed.

28
29 The above changes require that, to comply with AMC 6.40.015.A, additional reconciling items
30 have been added to the Exhibits.

31
32 Revenues – The following utility and enterprise funds have revenue variances of one percent
33 or more (<99% or >101%) from the percent of the year completed (100%).

34
35 Anchorage Water – is at 98% of budget due to missing investment income postings made by
36 Public Finance. Investment income postings are processed as part of period close.

37
38 Merrill Field Airport – exceeded budgeted revenues at 106% due to renting more tie downs
39 than expected in 2023, as well as increased fuel sales.

40
41 Don Young Port of Alaska – is over budgeted revenues (112% of budget) due to increased
42 2023 activity in petroleum and cement commodities across the Don Young Port of Alaska dock.

43
44 Solid Waste Services Refuse – is at 99% of budgeted revenues because interest income has
45 not been fully recorded in the SAP system.

46
47 Expenses – The following utilities and enterprise funds show positive or negative variances of
48 five percent or more (<95% or >105%) from the percent through the year (100%).

49

1 Hydropower (Responses provided by OMB) - expenditures are 85% of budget due to
2 depreciation and IGC entries that are awaiting posting into the SAP system for most of the
3 year, and favorable budget variances for supplies and labor.
4

5 Water – expenditures are 69% of budget due to IGCs and depreciation that still need to be
6 posted for May through December. Additionally, other 2023 expenses will continue to post as
7 2023 invoices are processed and accrued and year end accounting entries are made.
8

9 Wastewater – expenditures are 74% of budget. Operating revenue is on target. Expenses are
10 behind target due to missing expenses that are awaiting posting, including IGCs and
11 depreciation entries for May through December. Additionally, 2023 expenses will continue to
12 post as 2023 invoices are processed and accrued and year end accounting entries are made.
13

14 Merrill Field Airport – expenditures are 34% of budget due to vacancies (\$164k favorable
15 variance) and due to depreciation and IGCs awaiting accounting for May through December
16 (\$2.3 million favorable variance).
17

18 Don Young Port of Alaska – expenditures are 53% of budget. Expenses are still closing out
19 for 2023, however, the Port expects expenses to be within budget for 2023 once all costs are
20 recorded.
21

22 Solid Waste Services Disposal – expenditures are 55% of budget due to the above-mentioned
23 factors but also because future landfill costs calculations are typically not booked until February
24 or March for the prior year (\$1.5m favorable variance). Interest on bonded debt was a) over
25 budgeted, and b) budgeted only in Disposal whereas it should have been budgeted both in
26 Disposal and Refuse.
27

28 Solid Waste Services Refuse – expenditures are at 76% of budget due to depreciation and
29 charges by/to other departments having only been recorded through April. Additional expenses
30 are expected as periods continue to close. Further, if the Assembly supports a budget
31 appropriation to transfer some budgeted interest on bonded debt from Disposal to Refuse,
32 additional interest expense will be posted at Refuse; interest currently cannot post due to lack
33 of budget capacity.
34

35 Prepared by: Office of Management & Budget (OMB)
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37 Concur: Kent Kohlhase, P.E., Municipal Manager
38 Respectfully submitted: Dave Bronson, Mayor