

II. INTRODUCTION

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This year the Fiscal Trends Report is presented in a slightly different format to accommodate the detailed information compiled and analyzed during the preparation of the "Fiscal Gap Report."

The Fiscal Gap Report presents a strategic planning approach to solving the Fiscal Gap facing the Municipality over the next five years. This process was designed so that the Assembly, Budget Advisory Commission, Fiscal Policy and Economic Trends Committee and other interested citizen groups could provide input and recommendations on problem determination, strategy evaluation and identification of solutions for the Municipality's long-range fiscal planning objectives.

The assumptions used are a compilation of data from several sources. State revenue and inflation projections were derived with the concurrence of the Institute of Social and Economic Research (ISER). Population projections were derived from the city demographer and assessed values from the Property Appraisal Division.

As a final step in the decision-making phase of this process, the Assembly was asked to approve a resolution, which would provide the initial direction for development of the 1991 budget and the out-year fiscal plans. Section IV of this report details the options presented to the Assembly. Although the Assembly did not adopt any of these options in their entirety, they serve as a basis for developing a plan for expenditure reductions in the out-years.

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The 1990 Revised Operating Budget for general government services totaled \$196,765,790 and was based on the following three goals:

1. Maintaining property taxes at the 1989 level for the community.
2. Funding the most essential public services and required administrative services only.
3. Providing for an enhanced level of public safety through increases in Police and Fire personnel.

These goals were attained in the 1990 general government operating budget.

As shown in this report, 1991 presents more difficult problems. Even continued savings and a slight upturn in the Anchorage economy have not been sufficient to offset the potential \$22 million dollar gap facing the Municipality in 1991.

We are definitely at the point where Anchorage residents are going to feel the toll of past budget reductions -- mainly in the area of street maintenance and repair as well as cultural and recreational services.

As a result, the Administration has devoted an extensive section of this report to the identification of the problem facing the Municipality, as well as corrective strategies to "Fill the Gap."

PRIOR REPORTS

In reviewing prior reports developed by the Municipality on fiscal policy and productivity, it is interesting to note that some of the same issues and concerns still prevail. In September, 1988, a "Report of the Mayor's Special Committee on Fiscal Policy" addressed a ten-point plan of action for improving the Municipality's fiscal condition. These ten points focused on reduction of labor costs, cost containment, reduction of services, and increase of revenue with user fees and taxes. This plan of action is very similar to the solutions that we will be presenting to "Fill the Fiscal Gap." However, this report will take an additional step from prior reports by presenting the actual dollar amounts relating to the budgetary shortfall and the dollars needed in each solution to eliminate the deficit.

It is also important to note that one central concern -- labor cost -- has been raised in all prior reports (Productivity Task Force, 1985; Mayor's Special Committee on Fiscal Policy, 1988; and the 1990 Anchorage Workshop Report, 1987). The single greatest cost to the Municipality is labor, accounting for almost 60% of 1990 expenditures, and almost 80% of controllable costs. The costs that arise from labor contracts have continued to escalate each year causing a significant disparity between Municipal wages and benefits and those of the private sector.

LONG RANGE PLANNING

Currently, the Municipality of Anchorage requires (AMC 6.10) a one-year operating budget, a six-year program for fiscal policies and a six-year capital improvement plan. By examining the Fiscal Trends Report, the Administration, Assembly and community groups can get a good indication of future funding levels for services and programs as well as anticipated revenues.

PLANNING PROCESS

For your reference, the following page contains a flow chart of the planning process that was used in the development of this year's long-range budget forecast. The planning process consisted of three key phases:

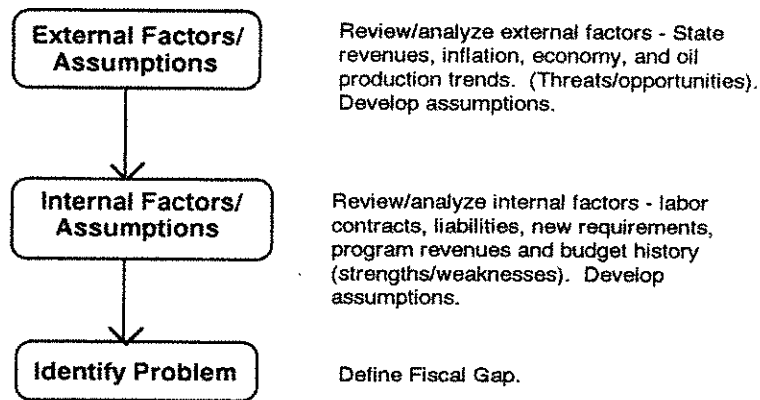
- I. Strategic Thinking - This is the phase where the external and internal factors affecting the budget are reviewed and analyzed, in conjunction with the development of

assumptions. At the end of this phase, the problem is identified and the Fiscal Gap defined.

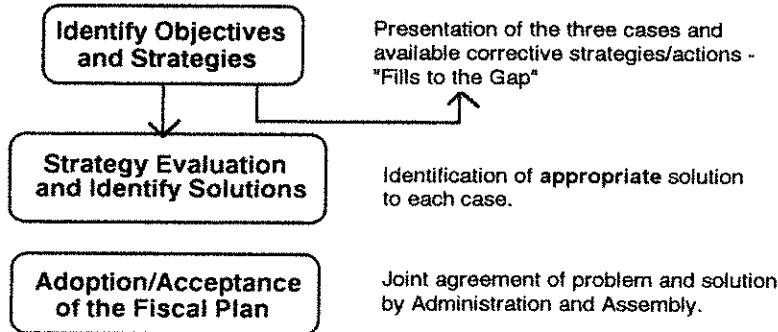
- II. Decisions - during this phase, three cases and available corrective strategies are presented. Each of the strategies is then evaluated and the optimal solution to each case identified. The final step in this phase is intended to be the joint agreement of the problem and solution by the Administration and the Assembly.
- III. Strategy Implementation - This final phase centers on the implementation, monitoring and review of the Fiscal Plan.

GENERAL GOVERNMENT SIX-YEAR BUDGET FORECAST PLANNING PROCESS

STRATEGIC THINKING



DECISIONS/PLAN ADOPTION



STRATEGY IMPLEMENTATION

