# PRELIMINARY GENERAL GOVERNMENT BUDGET INFORMATION

## 1991

## Municipality of Anchorage

**Tom Fink**
**Mayor**

**Municipality of Anchorage**

OFFICE OF THE MAYOR

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*TOM FINK,*
*MAYOR*

August 31, 1990

Dear Resident of Anchorage:

The 1991 Preliminary General Government Operating Budget is the first preliminary budget prepared by the Municipality. It has been designed to provide the Assembly and you with some initial summary information in the areas of service priorities, 1991 revenues and expenditures, taxes and pending reorganizations. As in the past, a more detailed, proposed 1991 General Government Operating Budget will be provided on October 2, 1990 as required by the Municipal Charter.

The preliminary continuation expenditure level of $199.4 million is based on continuation of 1990 services at 1991 prices. There is also a need for an additional $10.8 million in expenditures for new requirements. However, at this point there are only $188.2 million in revenues available to meet a net projected expenditure requirement of $201.6 million. This net requirement includes a $8.6 million savings offset. Details are at Tab I, page I-7. A reconciliation of the 1990 budget to 1991 preliminary continuation level expenditure is presented at Tab C.

Local government continues to have a problem matching revenues with growing expenditure needs. The three possible solutions are to:

- Raise taxes
- Eliminate services
- Reduce the cost of services

I flatly reject the first two options - raising taxes or eliminating important services - until we have done more to reduce the cost of government. Raising taxes in this economic environment would be counterproductive. The service levels currently being provided by the Municipality are about right and, in fact, should probably be enhanced in the public works and public safety areas.

Therefore, I recommend reducing the costs of providing services. As outlined in the Hay Study (previously provided to Assembly Members) the compensation of some employee groups is far above that required for equity in the market place. To address this continuing problem, I will be bringing to the Assembly in September, legislation to obtain the necessary labor savings while ensuring Municipal workers receive fair and equitable wages and benefits. It is my intent to develop the proposed budget based on the assumption that, in view of our current fiscal situation, the Assembly will implement labor strategies that are in the best interest of the taxpayer and the community.

As you know, there are a number of uncertainties relative to revenues and expenditures. As a result, some of our assumptions may have to change between now and when the budget is adopted in December.

As more information becomes available and Assembly meetings are conducted in September and October 1990, a community consensus will hopefully develop enabling us to solve the major problems facing the Municipality.

Sincerely,

Tom Fink

Tom Fink
Mayor

**1991 GENERAL GOVERNMENT**
**PRELIMINARY OPERATING BUDGET**

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## 1991 GENERAL GOVERNMENT
## PRELIMINARY OPERATING BUDGET

### <u>OVERVIEW</u>

AO 89-114(S) approved by the Assembly on January 2, 1990 established a requirement for the preparation of a preliminary general government revenue plan, tax limitation calculation and Administration service priorities. Additionally, major department consolidations, reorganizations, etc. necessitating changes to AMC 3.20.010 (Executive Organization) were to be submitted.

This document contains the required data plus additional information on revenues, expenditures, utility budget assumptions, Police and Fire Retiree Medical Costs, 1991-1996 General Government Fiscal Plan and employee compensation. This additional information is provided to enable the Assembly and the public to better understand the overall approach being taken in the development of the 1991 budget. A brief synopsis of the material contained herein is as follows:

- <u>1991 Preliminary Revenue Plan</u>: The 1991 Revenue Plan is divided into two categories - Known Revenues and Other Revenues. This has been done since some revenues have a much higher degree of probability of being realized. It is recommended that Assembly focus be directed primarily to the other revenue category since Assembly action is needed in this area.

- <u>1991 Preliminary Continuation Level Expenditures</u>: This expenditure level is based on continuation of 1990 services in 1991. It provides the necessary increased dollars for provision of those services.

- <u>1991 Tax Limitation Calculation</u>: The 1991 Tax Limitation Calculation is based on continuation of the 1990 property tax level with increases only on new construction completed in 1990.

- <u>1991 Administration Service Priorities</u>: The service goals and priorities provide the direction for the development of 1991 service levels.

- <u>1991 Department Reorganizations</u>: There are no reorganizations, consolidations or department establishments requiring Assembly approval in the 1991 budget.

- <u>1991 Utility Assumptions</u>: The 1991 Utility Assumptions which impact the general government budget are outlined at this tab. The discussion includes rates, compensation, utility revenue distributions and Municipal Utility Service Assessments.

- <u>Police/Fire Retiree Medical</u>: Information pertaining to the serious lack of funding for the subject plan is provided in order for the Assembly to recognize the overall significance and potentially disastrous impact of this program on the Municipality.

- 1991-1996 General Government Fiscal Plan: This plan is provided so that the Assembly can see the direction the Administration is taking in addressing the fiscal gap for 1991. It also addresses 1992 through 1996. Three options to resolve the fiscal gap are presented - raise taxes, eliminate services or reduce employee compensation levels. The Administration opposes new taxes and service eliminations. New taxes should not be proposed until we have successfully reduced the cost of government. Service eliminations are not desirable to the public. The Administration recommends compensation savings as the approach to resolving the fiscal gap. This option has been incorporated in the fiscal plan.

- Employee Compensation: A discussion on employee compensation is included in order to provide the necessary frame of reference for the compensation actions required.

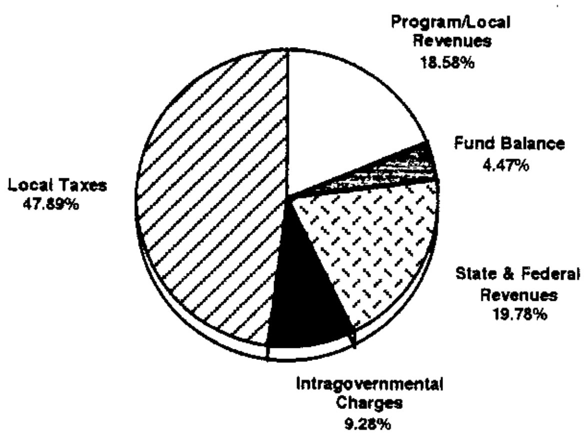
## 1991 General Government Operating Budget

### PRELIMINARY REVENUE PLAN

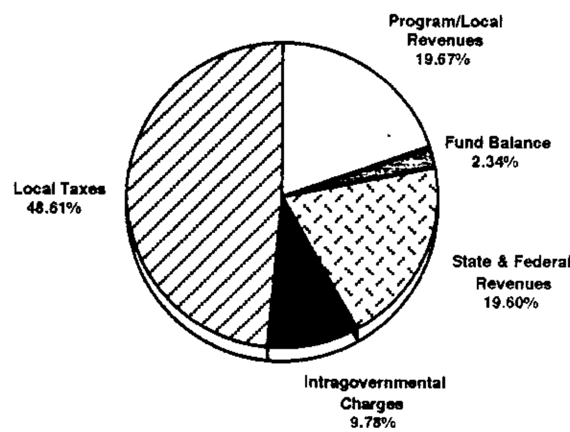
Known Revenues

| | 1990 Revised | 1991 Preliminary |
|---|---|---|
| State and Federal Revenues | $ 38,922,950 | $ 36,603,860 |
| Program/Local Revenues | 36,553,480 | 36,695,990 |
| Local Taxes on Existing Property | 91,645,370 | 91,645,370 |
| Taxes on New Construction | -0- | 437,200 |
| Tobacco Tax | 2,586,350 | -0- |
| Intragovernmental Charges | 18,259,540 | 18,404,200 |
| Fund Balance | 8,798,100 | 4,368,920 |
| Total | $196,765,790 | $188,155,540 |

**1990**




**1991**

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**KNOWN REVENUES:**

1. State and Federal Revenues: The $21.2 million of Municipal Assistance included in this budget has already been appropriated by the State Legislature. The $11.6 million of State Revenue Sharing will not be appropriated until the spring of 1991. No new State revenues are assumed in this budget; however, we will continue to propose greater State support and economic relief. Federal revenues are forecast to be slightly less than in 1990.

2. Program and Local Revenues: User fees have been reviewed. Some small adjustments have been made to fee totals but rates remain unchanged. We have been conservative in estimating program revenues due to continuing population and economic activity uncertainties. A $2.5 million utility revenue distribution of profits from Anchorage Telephone Utility and a $177,500 contribution from the Port to general government for tax relief are included.

3. <u>Local Taxes on Existing Property</u>: The Administration recommends holding property taxes at the 1990 level for the community as a whole. The $91.6 million shown above includes approximately $2.5 million for 1.25% MUSA and it is assumed the Alaska Public Utility Commission will not exclude this payment.

4. <u>Taxes on New Construction</u>: Based on an estimated $40 million in new construction, property taxes on new construction would be as shown above.

5. <u>Tobacco Tax</u>: Due to the uncertainty concerning the legality of the Tobacco tax, it has not been included in 1991. 1990 amounts reflect the amount budgeted. Collections may be less than $1.5 million.

6. <u>Intragovernmental Charges</u>: The 1991 IGC level is based on continuation of existing service and management relationships. The Affiliated Transaction Study currently underway and APUC review may impact some charges during 1991.

7. <u>Fund Balance</u>: To help cushion the negative economic effect on the community of major employee layoffs and to ensure adequate levels of public services, fund balances have been reduced as much as possible, consistent with cash flow needs, maintenance of bond ratings and types of contingencies which could require additional support from a particular fund, such as the 1989 flood damage and 1989-1990 winter snows. The amount shown is based on the assumptions that $3.6 million will lapse in 1990 and there will be no significant additional fund balance uses in 1990.

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**OTHER REVENUES:**

In addition to the known revenue amount of $188.2 million, some other revenues could be made available through Assembly, State or voter action.

1. <u>Tax Transfer</u>: The 1990 tax transfer amount of $6.5 million has not been included in known revenues. Of that amount $2.8 million could be applied to general government expenses by the Assembly. The $2.8 million is the residue remaining after the $3.2 million ASD supplemental and assumes a $.5 million cost for the ASD audit. Additionally, another $6.5 million in 1991 taxes is available. The two-year transfer action total available in 1991 is $9.3 million.

2. <u>State Capital Program Assistance</u>: $4.9 million is required for additional building/road long-term maintenance and for underground storage tank remediation. This amount will be requested from the State as a highest capital budget priority.

3. <u>Fuel Tax</u>: If approved by the voters in October, 1990 approximately $3.6 million would be available.

4. <u>Tobacco Tax</u>: The $2.6 million additional Tobacco Tax proceeds are dependent on favorable legal action and/or Assembly action. The Administration does not intend to propose the reinstatement of this tax.

1991 General Government Operating Budget

SUMMARY OF KNOWN REVENUE ACCOUNTS

| Revenue Source | | 1989 Revised | 1990 Revised | 1991 Budget |
|---|---|---|---|---|
| **FEDERAL REVENUES** | | | | |
| 9312 | Federal in Lieu of Property Tax | $ 351,070 | $ 358,150 | $ 358,150 |
| 9324 | Mass Transportation | 712,000 | 726,900 | 700,000 |
| 9331 | Other Federal Grant Revenue | 59,650 | 64,820 | 89,250 |
| 9357 | National Forest Allocation | -0- | 2,710 | 2,710 |
| 9376 | Civil Defense | 20,000 | 30,000 | 20,000 |
| | Total Federal Revenues | $ 1,142,720 | $ 1,182,580 | $ 1,170,110 |
| **STATE REVENUES** | | | | |
| 9342 | Municipal Assistance | $ 25,162,330 | $ 23,486,050 | $ 21,168,800 |
| 9344 | Fisheries Tax | 119,690 | 167,750 | 167,750 |
| 9346 | Health Facilities | 908,580 | 894,860 | 894,860 |
| 9347 | Liquor Licenses | 372,730 | 384,740 | 384,740 |
| 9348 | Amusement Device Licenses | 23,560 | 27,090 | 27,090 |
| 9349 | Road Maintenance | 1,121,770 | 1,022,520 | 1,022,520 |
| 9355 | Electric Co-Op Allocation | 659,700 | 660,640 | 660,640 |
| 9362 | General State Revenue Sharing | 11,026,360 | 9,752,620 | 9,752,620 |
| 9363 | State Traffic Signal Reimbursement | 1,126,000 | 1,311,600 | 1,311,600 |
| 9481 | State of Alaska - 911 | 32,500 | 32,500 | 43,130 |
| | Total State Revenues | $ 40,553,220 | $ 37,740,370 | $ 35,433,750 |
| **LOCAL REVENUES** | | | | |
| 9003 | Penalty/Interest on Delinquent Taxes | $ 2,225,220 | $ 2,225,220 | $ 3,060,000 |
| 9004 | Tax Cost Recoveries | 25,000 | 67,800 | 67,800 |
| 9006 | Auto Tax | 3,088,550 | 3,007,090 | 3,007,090 |
| 9007 | Delinquent Taxes | 600,000 | 600,000 | 600,000 |
| 9008 | Collection Service Fees | 217,500 | 217,500 | 255,000 |
| 9011 | Tobacco Tax | -0- | 2,586,350 | -0- |
| 9021 | Franchises | 605,160 | 615,480 | 746,450 |
| 9022 | Payment In Lieu of Taxes | 85,210 | 1,416,550 | 1,416,550 |
| 9023 | Hotel and Motel Taxes | 3,935,140 | 4,386,220 | 5,230,090 |
| 9024 | Penalty/Interest on Hotel/Motel Taxes | 13,850 | 7,490 | 26,000 |
| 9111 | Building and Trade Licenses | 21,900 | 25,000 | 31,000 |
| 9112 | Taxicab Permits | 162,330 | 162,330 | 162,330 |
| 9113 | Contractor Certificates and Examinations | 2,200 | 2,500 | 3,000 |

# 1991 General Government Operating Budget

## SUMMARY OF KNOWN REVENUE ACCOUNTS

| Revenue Source | | 1989 Revised | 1990 Revised | 1991 Budget |
|---|---|---|---|---|
| 9114 | Chauffeur Licenses | $ 10,500 | $ 10,500 | $ 10,500 |
| 9115 | Taxicab Permit Revisions | 10,630 | 10,630 | 10,630 |
| 9116 | Local Business Licenses | 52,000 | 60,000 | 63,000 |
| 9117 | Chauffeur License Renewal | 17,500 | 17,500 | 17,500 |
| 9118 | Bicycle Licenses | 100 | 100 | 100 |
| 9131 | Plan Checking Fees | 356,660 | 323,900 | 330,000 |
| 9132 | Building Permits | 676,510 | 641,040 | 633,000 |
| 9133 | Electrical Permits | 144,150 | 135,700 | 138,000 |
| 9134 | Gas and Plumbing Permits | 183,450 | 172,750 | 174,000 |
| 9135 | Moving Fence/Sign Fees | 8,950 | 8,340 | 8,200 |
| 9136 | Construction and Right-of-Way Permits | 50,000 | 92,130 | 100,000 |
| 9137 | Elevator Inspection Fees | 78,600 | 74,100 | 73,000 |
| 9138 | Mobile Home Inspection Fees | 7,000 | 6,670 | 8,200 |
| 9139 | Land Use Permits | 27,000 | 18,500 | 24,000 |
| 9141 | Amusement Surcharge | 88,000 | 84,500 | 88,000 |
| 9143 | Parking and Access Agreement Fees | 550 | 350 | 400 |
| 9145 | ACPA Ticket Surcharge | -0- | 150,000 | 150,000 |
| 9191 | Animal Licenses | 55,000 | 45,000 | 50,000 |
| 9199 | Miscellaneous Permits | 20,000 | 23,450 | 22,250 |
| 9211 | Court Fines and Forfeitures | 1,571,350 | 1,598,930 | 1,398,700 |
| 9213 | Library Book Fines | 77,680 | 107,670 | 138,400 |
| 9215 | Other Fines and Forfeitures | 2,870 | 50,000 | 49,900 |
| 9216 | Pre-Trial Diversion | -0- | 14,000 | 14,000 |
| 9411 | Platting Fees | 22,000 | 40,000 | 45,000 |
| 9412 | Zoning Fees | 24,500 | 37,500 | 36,000 |
| 9413 | Sale of Publications | 88,000 | 59,500 | 52,000 |
| 9415 | Miscellaneous Map Sales | 17,000 | 13,500 | 10,000 |
| 9416 | Rezoning Inspections | 2,500 | 1,200 | 870 |
| 9417 | Zoning Inspection | 1,000 | -0- | -0- |
| 9418 | Emission Certificate Fee | 1,176,000 | 1,190,000 | 1,190,000 |
| 9419 | Emission Inspection Test Fee | 20,000 | 10,000 | 10,000 |
| 9423 | Family Planning Fees | 55,000 | 65,000 | 60,000 |
| 9424 | Community Health Fees | 1,200 | -0- | 55,250 |
| 9425 | Dispensary Fees | 32,750 | 35,000 | 50,000 |
| 9426 | Sanitary Inspections Fees | 511,200 | 540,480 | 529,000 |
| 9428 | Cook Inlet Air Pollution | 7,800 | 7,800 | 11,000 |
| 9431 | Public Transit Fees | 1,162,120 | 1,312,020 | 1,392,000 |
| 9441 | Recreational Activities | 330,800 | 372,800 | 355,000 |
| 9443 | Swim Fees | 705,100 | 824,800 | 933,870 |
| 9445 | Cemetery Fees | 54,000 | 56,000 | 61,000 |
| 9446 | Ski Fees | 3,200 | 10,000 | 10,000 |
| 9447 | Golf Fees | 45,000 | 48,000 | 48,000 |
| 9448 | Camper Park Fees | 81,000 | 66,430 | 65,430 |
| 9451 | Ambulance Service Fees | 824,600 | 1,050,000 | 1,050,000 |
| 9452 | Fire Training Center | 14,800 | 18,000 | 20,000 |

## 1991 General Government Operating Budget

## SUMMARY OF KNOWN REVENUE ACCOUNTS

| Revenue Source | | 1989 Revised | 1990 Revised | 1991 Budget |
|---|---|---|---|---|
| 9453 | Fire Alarm Fees | $ 13,200 | $ 13,200 | $ 13,200 |
| 9456 | Admission Fees | 246,300 | 226,300 | 206,300 |
| 9457 | Typewriter User Fees | -0- | 1,010 | 4,270 |
| 9462 | Subdivision Inspection Fees | 50,000 | 50,000 | 50,000 |
| 9463 | Mapping Fees | 40,000 | 35,000 | 52,500 |
| 9467 | Address Fees | 7,500 | 7,500 | 7,500 |
| 9468 | Computer Time Fees | 20,000 | 36,000 | 21,000 |
| 9471 | Building Rental | 24,000 | 28,000 | 32,000 |
| 9472 | Concessions (0161) | | 27,600 | -0- |
| 9478 | Parking Authority Income | 390,000 | 675,000 | 620,000 |
| 9484 | Animal Shelter Fees | 182,000 | 239,000 | 220,000 |
| 9492 | Service Fees - School District | 309,400 | 377,270 | 416,540 |
| 9493 | Microfiche Sales | 13,340 | 14,020 | 14,700 |
| 9494 | Clinic Fees | 45,000 | 22,500 | 34,530 |
| 9495 | Parking Authority Service Fees | 53,510 | 65,000 | 68,600 |
| 9498 | Unbilled Revenue (Flex-Benefits) | 11,500 | 10,000 | 10,000 |
| 9499 | Reimbursed Costs | 473,770 | 309,700 | 354,000 |
| 9532 | Miscellaneous Non-operating Income | 20,000 | 5,000 | 5,000 |
| 9601 | Contributions from Other Funds | 657,370 | 278,232 | 184,660 |
| 9602 | Utility Revenue Distribution from ATU | 2,200,000 | 4,000,000 | 2,500,000 |
| 9612 | Loans from Other Funds | | 50,000 | -0- |
| 9613 | Loan Recovery | 13,650 | 7,000 | 5,000 |
| 9614 | Contribution of Interest from G.O. Bonds | 738,130 | 671,380 | 1,155,130 |
| 9711 | Assessments | 890,000 | 762,600 | 654,000 |
| 9712 | Penalty/Interest on Assessments | 564,000 | 694,520 | 856,000 |
| 9731 | Lease & Rental Revenues | 412,600 | 427,500 | 412,780 |
| 9732 | Lease State Land Conveyance | 44,900 | 32,040 | 32,040 |
| 9741 | State Land Sales | 500,000 | 486,230 | 390,560 |
| 9742 | Other Property Sales | 7,500 | 22,500 | 22,500 |
| 9752 | Parking Garages and Lots | 60,000 | 52,000 | 52,000 |
| 9761 | Cash Pool Short-Term Interest | 3,155,750 | 3,865,570 | 3,398,450 |
| 9762 | Other Short-Term Interest | 516,530 | 913,700 | 666,550 |
| 9782 | Lost Book Reimbursement | 8,880 | 13,040 | 10,730 |
| 9783 | Library Fees | 6,510 | 1,000 | 1,200 |
| 9785 | Sale of Books | | 7,260 | -0- |
| 9793 | Liquor Licenses | 1,000 | 1,000 | 1,500 |
| 9794 | Appeal Receipts | 6,600 | 6,200 | 4,000 |
| 9795 | Sale of Contractor Specifications | 14,000 | 14,000 | 14,000 |
| 9796 | Transit Advertising Fees | 45,000 | 35,000 | 40,000 |
| 9797 | Copier Fees | 78,920 | 40,880 | 63,740 |
| 9798 | Miscellaneous Revenue | 44,500 | 4,150 | 9,500 |
| | Total Local Revenues | $ 31,465,490 | $ 36,664,872 | $ 36,695,990 |

## 1991 General Government Operating Budget

## SUMMARY OF KNOWN REVENUE ACCOUNTS

| Revenue Source | 1989 Revised | 1990 Revised | 1991 Budget |
|---|---|---|---|
| **OTHER REVENUES** | | | |
| Intragovernmental Revenues | $ 16,160,530 | $ 18,259,540 | $ 18,404,200 |
| Fund Balance Applied | 5,115,900 | 8,798,100 | 4,623,820 |
| Restricted Profits | (543,260) | (111,390) | (254,900) |
| Property Taxes | 90,502,240 | 91,645,370 | 92,082,570 |
| Transfer of Local Taxes | | -0- | -0- |
| Total Other Revenues | $111,235,410 | $121,177,970 | $114,855,690 |
| **TOTAL REVENUES** | **$184,396,840** | **$196,765,792** | **$188,155,540** |

**1991 General Government Operating Budget**

**PRELIMINARY CONTINUATION LEVEL EXPENDITURES**

| DESCRIPTION | EXPENDITURE LEVEL (M) |
|---|---|
| 1990 Revised Budget | $ 196.8 |
| Less: One Time 1990 Expenditures | 3.6 |
| Amount to Continue Basic 1990 Services | $ 193.2 |
| 1990/1991 Required Salary/Benefit Adjustments | .8 |
| Subtotal | $ 194.0 |
| Other Required Increases to Maintain 1990 Services in 1991: | |
| - Debt Service | .3 |
| - Inebriate Program | .3 |
| - Other Health & Human Service Contracts | .24 |
| - Street Lights (Energy & Maintenance) | .4 |
| - Cultural & Recreational Services (East Pool) | .05 |
| - Police (Overtime, Negotiations, Retiree Insurance) | .55 |
| - Fire (Misc., Hydrant, Retiree Insurance) | .88 |
| - Employee Relations (Negotiation Costs) | .25 |
| - Transit (Repairs/Parts) | .07 |
| - Additional Revenue Support + Grant Positions (Public Works, Parks, etc.) | .30 |
| - Self-Insurance | .88 |
| - Non-Departmental (ACVB, debt) | .33 |
| - Inflationary Increases for Fuel, Parts, etc. | .51 |
| - Attorney (Litigation capability)* | .19 |
| - Economic Development & Planning (Planner)* | .05 |
| Total Amount Required for 1990 Services in 1991 (Rounded) | $199.4 |

* Approved by Assembly 1990

At this point, the preliminary continuation level expenditures have been developed based on the following:

1. Employee Wages and Benefits: Executive employees are slated for a wage freeze in 1991. Non-represented employees are budgeted to continue to receive the benefit increase approved in 1990 plus longevity increases. All bargaining group personnel are budgeted to receive longevity increases plus salary increases required by existing contracts. All employees are budgeted at 1990 medical and dental rates except IAFF.

2. Increased or New Expenses: To maintain 1990 service levels, approximately $5.4 million in new and higher costs for water hydrant charges, utility increases and some inflation adjustments have been included. These increased costs are related to goals and services needed to carry out the 1990 level of services in 1991.

3. Ballot Initiatives: Funding for debt service for October 1990 bonds will be included in the 1992 budget.

Preliminary continuation level expenditures provide the basis for the development of the 1991-1996 fiscal plan contained in Section I. New requirements and compensation savings are also included in the fiscal plan. There are some costs included in the 1991 preliminary continuation level expenditures that are factored out in the fiscal plan. It was calculated in this manner to give the Assembly and the public a clearer picture of what it would cost to continue 1990 services if the steps necessary to achieve substantial compensation savings are not implemented by the Assembly and the Administration.

# 1991 General Government Operating Budget

## TAX LIMIT ALLOCATION CALCULATION

| | | |
|---|---|---|
| 1990 TAXES | | |
| Real/Personal/MUSA (includes ASD transfer) | | $ 98,145,370 |
| Payment in Lieu of Taxes (State/Federal) | | 1,774,704 |
| Auto Taxes | | 3,007,088 |
| 1990 Total Taxes | | $102,927,162 |
| Less Taxes to Pay Debt Service | | (19,513,862) |
| 1990 Net Taxes | | $ 83,413,300 |
| ADJUSTMENT FACTORS | | |
| Population 5 Year Average | (1.62%) | |
| Change in Consumer Price Index | 4.00% | |
| Total | 2.38% | 1,985,237 |
| Base Taxes Allowed | | $ 85,398,537 |
| PLUS EXCLUSIONS | | |
| Tax on New Construction[1] | | $ 437,200 |
| Tax to Pay 1991 Debt Services | | 19,836,000 |
| Voter Approved Bonds in October 1990 | | 0 |
| Voter Approved Capital Projects | | 0 |
| Voter Approved Requested Services | | 0 |
| Voter Approved Service Area - Rockhill | | 0 |
| Judgments | | 0 |
| TAX LIMITATION | | $105,671,737 |
| LESS AUTOMOBILE TAXES/PILT | | (4,781,792) |
| PROPERTY TAX ALLOWED | | $100,889,945 |
| PROPERTY TAX RECOMMENDED[2] | | $ 92,082,570 |
| AMOUNT UNDER TAX LIMIT[3] | | $ 8,807,375 |

NOTES:

1. Tax on new construction computed as follows: $40,000,000 (estimated new construction value) x 10.93/1000 (1990 average mill rate) = $437,200
2. Amount of property tax recommended will become the base tax number for 1992 tax calculation. When new construction is considered there is no overall tax increase on total 1990 property.
3. The $8,807,375 includes the $6,500,000 ASD tax allocation and $2,307,375 for CPI/population and debt service change.

## 1991 General Government Operating Budget

## ADMINISTRATION SERVICE GOALS AND PRIORITIES

### GOALS FOR THE MUNICIPALITY OF ANCHORAGE

The Administration and Municipal employees are committed to the goal of excellence in local government. We will endeavor to provide the highest possible level of service to the public within budget constraints.

In carrying out this mission, the Administration will focus on five general goals. The specific goals and objectives are:

- Economic Development

  The Municipality shall strive to mitigate the problems caused by the recent economic recession and to contribute to the long-term stable recovery and growth of the Anchorage economy.

- Fiscal Stability

  The Municipality shall strive to maintain vital services to the public while adjusting to changing fiscal circumstances and assuring the long-term financial integrity of local government.

- Public Safety

  The Municipality shall strive to provide services necessary to ensure a safe environment for its residents. These services include police, fire, emergency medical and emergency preparedness, public health and environmental services.

- Maintenance of Municipal Facilities

  The Municipality shall strive to maintain existing facilities on a schedule that will allow our children to enjoy the benefits of these improvements for many years. We believe maintaining basic facilities, roads and public buildings, as well as parks, bike trails and cultural facilities should be a high priority.

- Balanced Community Values

  The Municipality shall strive to achieve a balance in meeting expressed community needs despite diminished resources. Basic services will continue to be given the highest priority. The Municipality will continue to provide an acceptable level of service for recreation and leisure activities and city beautification.

## OPERATING BUDGET SERVICE PRIORITIES

Priority 1: Maintain essential Police, Fire, emergency medical and road maintenance services at the 1990 levels and provide enhancements through labor concessions, whenever possible.

Priority 2: Maintain other 1990 essential service levels with priority to Transit and Public Health Services.

Priority 3: Provide for an increased level of street maintenance through development of an aggressive program to obtain state grant funding.

Priority 4: Provide for an increased level of maintenance for other Municipal infrastructure needs through development of an aggressive program to obtain state grant funding.

Priority 5: Provide a level of support for potential unfunded liability in the Police and Fire Retiree Medical Program.

## 1991 General Government Operating Budget

### DEPARTMENT REORGANIZATIONS

There are no major departmental consolidations, reorganizations or establishments necessitating changes to AMC 3.20.010 (Executive Organization) required by the proposed budget for 1991.

## 1991 UTILITY ASSUMPTIONS
## DIRECTLY AFFECTING THE 1991 GENERAL GOVERNMENT BUDGET

### RATES

Our objective is to maintain rates at current levels. Should any rate increases be required they will be kept to the absolute minimum. Rate increases will not be proposed to fund dividends. To help avoid rate increases, compensation levels for utility employees will reflect savings similar to those which will be included in the recommended General Government expenditure plan for 1991.

### UTILITY REVENUE DISTRIBUTION (URD)

In accordance with AMC 26.10.065, a dividend payment of $2.5 million to General Government in the form of a Utility Revenue Distribution is planned from ATU in 1991. URD's are not planned for any other utility.

### MUNICIPAL UTILITY SERVICE ASSESSMENT (MUSA)

Municipal Utility Service Assessment payments to General Government based on non-contributed plant have been included in the 1991 budgets for all utilities except the Port of Anchorage and Merrill Field Airport in accordance with AMC 26.10.025.

The MUSA Surcharge (1.25% of gross operating revenues), also provided for in AMC 26.10.025, has come under scrutiny by the APUC. Recent APUC orders have defined the surcharge as a dividend and as such, have prohibited its payment by AWWU and ML&P without their approval. The Commission, in a letter order this year, required General Government to refund the surcharge which ML&P paid in 1990 for the 1989 assessment. Since the MUSA docket and surcharge question remain open before the Commission, revenue from the surcharge from ML&P and AWWU included in the General Government Operating Budget may still be in question. This matter may not be resolved until after the 1991 budget is adopted by the Assembly. MUSA and surcharge payments included are:

| | (In Thousands $) | | |
|---|---|---|---|
| | MUSA | SURCHARGE | TOTAL |
| ATU | 3,554 | 998 | 4,552 |
| ML&P | 1,900 | 833 | 1,900 |
| WATER | 1,760 | 275 | 1,760 |
| SEWER | 1,030 | 237 | 1,030 |
| SWS DISPOSAL | 475 | 125 | 600 |
| SWS COLLECTIONS | 69 | -0- | 69 |
| TOTAL | 8,788 | 2,468 | 9,911 |

## POLICE, FIRE AND COMMAND OFFICER

## RETIREE MEDICAL BENEFITS

Through the process of labor negotiations in the late 1970s and early 1980s, the Municipality agreed in the union contracts to provide medical benefits to retired members of the Police and Fire Departments. Similar benefits were granted to command officers by ordinance in 1977.

Funding for these benefits has traditionally been on a pay-as-you-go basis, as a line item in the annual operating budgets of the Police and Fire Departments. As the numbers of retirees increase and medical inflation drives the annual premium costs up, the impact on the annual budget can be expected to increase significantly. Initial contributions to the Teamster Health and Welfare Fund for APDEA retirees of $95.00 per month in 1976 have escalated to a projected premium rate of $365 per month in 1991; a 385% increase. In just eight years, since January 1982, the medical plan component for APDEA retirees has increased 364%, growing from $68.97 to a projected $289.03 per month. Unless corrective action is taken, this trend is expected to continue.

A number of factors have come together to prompt the Municipal Administration to closely examine the current and future liability of the retiree medical program. The Financial Accounting Standards Board (FASB) issued an exposure draft which would require private companies to account for their retiree medical liabilities. National attention has been focused in the press and in the courts on retiree medical benefits. Finally, the labor agreements which provide for the Municipal police and fire retiree medical program were due to be renegotiated and a reexamination of this issue, in light of these factors, was appropriate.

A recently completed actuarial valuation of the Police, Fire and Command Officer retiree medical program indicates that the present value of those benefits is $146,454,102. This is the amount equal to the present value of the benefits expected to be paid to current and future retirees (i.e. current active employees) and is the amount the Municipality would have to have on deposit today in order to meet those obligations. It should be noted that the amount will grow as new employees are hired, as the valuation expresses the liability for the current workforce and retirees. The valuation is based on a number of assumptions about the plan participants, medical inflation and interest rates. A 1% increase in the interest rate assumption (from 8% to 9%) changes the present value of the benefits to $117,272,926. The valuation was prepared in accordance with the proposed FASB standard.

The Municipality is not subject to FASB; however, the Governmental Accounting Standards Board (GASB) has issued a Research Report on accounting for other postretirement benefits and in May 1990 issued statement No. 12 on the disclosure of retiree medical obligations. Although GASB has not yet put forth a comparable measurement standard, and may not for several years, bond rating agencies may begin to look at governmental retiree medical liabilities earlier.

The attached exhibits reflect the valuation results using both the 8% and 9% interest assumption, and a pay-as-you-go schedule which projects the Municipality's annual liability to pay retiree medical benefits. The pay-as-you-go exhibit compares the cost for the current employees and retirees against the costs when new employees are added to the program. The schedule on page H-5 outlines the future costs to the Municipality if nothing is done to correct the problem. It indicates that in fifteen years, the annual pay-as-you-go amount is over $13 million. In the year 2024, approximately $80 million would be required.

Given the status quo, the Municipality's retiree medical liabilities are very real and substantial, regardless of the assumptions used and the standard under which they are valued and disclosed.

Based on this information, it is essential that the Municipality take action now to recognize and fund these liabilities in a prudent and responsible manner. Pre-funding substantial long term liabilities, in essence, requiring the current generation of taxpayer to pay the total cost of their services, is a generally accepted practice and its application to this situation is appropriate. In addition, prudent fiscal management requires that we begin to resolve this critical problem before it impairs our ability to provide essential services and degrades our favorable bond ratings.

Exhibit I

# Municipality Of Anchorage

Actuarial Valuation as of January 1, 1990
Retiree Health Results

| | POLICE | FIRE | COMMAND | TOTAL |
|---|---|---|---|---|
| RESENT VALUE OF BENEFITS | $72,892,470 | $59,755,063 | $13,806,568 | $146,454,102 |
| ERVICE COST (BOY) | $2,809,841 | $2,350,616 | $138,107 | $5,298,564 |
| CCRUED LIABILITY: | | | | |
| ACTIVES NOT YET ELIGIBLE | $25,512,708 | $25,004,390 | $1,929,923 | $52,447,022 |
| ACTIVES ELIGIBLES | 3,633,298 | 9,893,810 | $2,398,903 | $15,926,012 |
| RETIREES | 19,334,505 | 10,866,535 | $8,861,024 | $39,062,065 |
| TOTAL ACCRUED LIAB. | $48,480,512 | $45,764,736 | $13,189,850 | $107,435,098 |
| INIMUM LIABILITY | $22,967,804 | $20,760,345 | $11,259,928 | $54,988,076 |
| ASB EXPENSE: | | | | |
| SERVICE COST (EOY) plus | $3,034,628 | $2,538,666 | $149,155 | $5,722,449 |
| INTEREST COST plus | 3,862,308 | 3,649,488 | 1,044,814 | $8,556,610 |
| AMORTIZATION OF TO * | 3,232,034 | 3,050,982 | 879,323 | $7,162,340 |
| TOTAL FASB EXPENSE | $10,128,971 | $9,239,136 | $2,073,292 | $21,441,399 |
| 990 BENEFIT PAYMENTS | $403,323 | $292,262 | $259,357 | $954,942 |
| MORTIZATION PERIOD | 15 | 15 | 15 | |

ISCOUNT RATE= 8.00%

OTE: * Transition Obligation (TO) = Total Accrued Liability
BOY = Beginning of year
EOY = End of year

# Municipality Of Anchorage

Police, Fire and Command Officers
Actuarial Valuation as of January 1, 1990
Retiree Health Results

| | POLICE | FIRE | COMMAND | TOTAL |
|---|---|---|---|---|
| PRESENT VALUE OF BENEFITS | $56,717,498 | $48,715,471 | $11,839,958 | $117;272,926 |
| SERVICE COST (BOY) | $2,143,816 | $1,874,751 | $112,299 | $4,130,865 |
| ACCRUED LIABILITY: | | | | |
| ACTIVES NOT YET ELIGIBLE | $19,699,991 | $20,135,022 | $1,576,182 | $41,411,195 |
| ACTIVES ELIGIBLES | 2,839,252 | 7,884,330 | 2,030,652 | 12,754,234 |
| RETIREES | 15,675,216 | 9,332,037 | 7,735,961 | 32,743,214 |
| TOTAL ACCRUED LIAB. | $38,214,459 | $37,351,389 | $11,342,795 | $86,908,643 |
| FASB EXPENSE: | | | | |
| SERVICE COST (EOY) plus | $2,336,759 | $2,043,478 | $122,406 | $4,502,643 |
| INTEREST COST plus | 3,423,278 | 3,349,601 | 1,011,209 | 7,784,088 |
| AMORTIZATION OF TO * minus | 2,547,631 | 2,490,093 | 756,186 | 5,793,911 |
| EXPECTED RETURN ON ASSETS | 0 | 0 | 0 | 0 |
| TOTAL FASB EXPENSE | $8,307,668 | $7,883,172 | $1,889,800 | $18,080,642 |
| 1990 BENEFIT PAYMENTS | $356,078 | $267,200 | $214,284 | $837,562 |

NOTE: * Transition Obligation (TO) = Total Accrued Liability
BOY = Beginning of year
EOY = End of year
Discount = 9.00%
Amortization Period = 15 years

POLICE, FIRE AND COMMAND OFFICER
RETIRE MEDICAL
CASH FLOW PROJECTIONS

PAY-AS-YOU-GO METHOD
(in thousands)

| YEAR | CURRENT EMPLOYEES (CLOSED GROUP) | CURRENT and FUTURE EMPLOYEES |
|---|---|---|
| 1990 | $ 838 | $ 838 |
| 1991 | 1,088 | 1,092 |
| 1992 | 1,382 | 1,387 |
| 1993 | 2,186 | 2,195 |
| 1994 | 2,651 | 2,663 |
| 1995 | 3,140 | 3,156 |
| 1996 | 3,682 | 3,704 |
| 1997 | 4,241 | 4,272 |
| 1998 | 5,626 | 5,672 |
| 1999 | 6,403 | 6,464 |
| 2000 | 7,192 | 7,273 |
| 2001 | 8,064 | 8,170 |
| 2002 | 9,035 | 9,173 |
| 2003 | 10,742 | 10,922 |
| 2004 | 11,872 | 12,103 |
| 2005 | 13,100 | 13,429 |
| 2006 | 14,374 | 14,853 |
| 2007 | 15,710 | 16,398 |
| 2008 | 17,087 | 18,052 |
| 2009 | 18,467 | 19,782 |
| 2010 | 19,901 | 21,716 |
| 2011 | 21,380 | 23,859 |
| 2012 | 22,839 | 26,162 |
| 2013 | 24,339 | 28,708 |
| 2014 | 25,611 | 31,251 |
| 2015 | 26,860 | 34,099 |
| 2016 | 28,229 | 37,432 |
| 2017 | 29,155 | 40,730 |
| 2018 | 30,020 | 44,424 |
| 2019 | 31,104 | 48,850 |
| 2020 | 31,840 | 53,520 |
| 2021 | 32,561 | 58,836 |
| 2022 | 33,477 | 65,086 |
| 2023 | 34,130 | 71,903 |
| 2024 | 34,788 | 79,654 |

# FISCAL GAP

The Fiscal Gap section of this document was designed to recap the key issues facing the Municipality over the next six years. A strategic planning approach to solving the fiscal gap was developed to address the revenue shortfalls as well as the necessary corrective strategies. Numerous meetings were held with the Assembly to address the issues and concerns summarized in this document. The Fiscal Gap has not substantially changed and the need to implement the recommended solution remains imperative.

The necessity for a strategic plan stems from the need to assess and manage the long-term impact of the current year's budget policy and direction. Compensation concessions realized in 1991 will carry out expenditure reductions in all years as compared to an injection of capital grant money from the State, which carries only a current year impact. Understanding of the long-term impact of our decisions is critical in developing a fiscally sound budget for the city.

The following summarizes the components of the various corrective strategies:

Revenues

- Local Tax Transfer - The maximum available would be $9.3 million, of which $8.5 million was used as part of the proposed solution. These are the dollars available from the re-allocation of the property tax.

- State Capital Program Assistance - Assumes full funding for underground storage tanks, building maintenance (deferred and ongoing) and street maintenance and repair, as identified in the new requirements section of the fiscal gap.

- Utility Revenue Distribution - This solution would reflect increases over the 1991 budgeted amount, which are not part of the Administration's recommended option.

- User Fees - This solution would reflect increases in local user fees over the 1991 recommended level, which are not part of the Administration's recommended option.

Expenditures

- Police/Fire Retiree Medical - The solution matrix assumes 50% funding of the $4.8 million retiree medical contribution toward the $146 million potential liability as identified in the new requirements section of the fiscal gap.

- Compensation Concessions - Savings amounting to $5 million in 1991 can be realized through the elimination of binding arbitration, health/ benefit reductions and salary adjustments to reflect private sector or Pacific Northwest comparable compensation levels.

- Productivity Savings - These savings are cumulative, yet have a delayed impact in the area of adjusted Leave/Benefits. Contracting out savings are conservatively estimated at $100,000 per year and reflect the utilization of contract services versus the payment of prevailing wages for certain types of services that can be better provided by the private sector.

- Service/Program Reductions - Maintain Police, Fire, EMS, Street Maintenance and critical health services at a priority level. Impact would be on "non-essential services."

- Taxes - Possible alternatives include tobacco, fuel, special sales tax and population and inflation increases. These are not part of the Administration's recommended option.

The Table on page I-6 first identifies the fiscal gap without any corrective strategy and then goes on to show the long-term impact of each solution on the Gap. The mix of alternatives/solutions may change in the outyears, but the recommended solution for 1991 will be incorporated in the 1991 proposed budget to be transmitted to the Assembly in October.

**"FISCAL GAP"**
**Before Implementation of Solutions**

| REVENUES | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| Federal Revenues (0%) | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| State Revenues (-2%,after 1991) | 35.4 | 34.7 | 34.0 | 33.3 | 32.7 | 32.0 |
| Local Revenues (2%) | 34.2 | 34.9 | 35.6 | 36.3 | 37.0 | 37.8 |
| Utility Rev. Distribution | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| Property Taxes - Gen. Govt. | 92.1 | 92.5 | 93.0 | 93.5 | 94.0 | 94.0 |
| Fund Balance Applied (2% of Exp) | 4.4 | 3.7 | 3.8 | 4.0 | 4.1 | 4.3 |
| Intra-Gov. Charges (0%) | 18.4 | 18.4 | 18.4 | 18.4 | 18.4 | 18.4 |
| TOTAL REVENUES (Nominal $'s) | 188.2 | 187.8 | 188.5 | 189.2 | 189.9 | 190.1 |

| EXPENDITURES | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| Personnel - Wages/Benefits | 115.3 | 119.9 | 124.7 | 129.7 | 134.9 | 140.3 |
| Debt Service | 23.1 | 23.1 | 23.1 | 23.1 | 23.1 | 23.1 |
| Other | 61.0 | 63.4 | 66.0 | 68.6 | 71.4 | 74.2 |
| TOTAL EXPENDITURES (Nominal $'s) | 199.4 | 206.5 | 213.8 | 221.4 | 229.3 | 237.6 |
| FISCAL GAP (Nominal, $'s) (Reference Figure 1) | 11.2 | 18.6 | 25.3 | 32.2 | 39.5 | 47.4 |

| NEW REQUIREMENTS- INCREASES TO THE GAP: | | | | | | |
|---|---|---|---|---|---|---|
| P/F Retiree Medical benefits | 4.8 | 5.0 | 5.2 | 5.4 | 5.6 | 5.8 |
| Underground Storage Tanks | 1.9 | 0.8 | 0.5 | 0.1 | 0.1 | 0.1 |
| Building Maint. (Deferred & Ongoing) | 2.0 | 2.1 | 2.2 | 2.5 | 2.6 | 2.6 |
| Street Maintenance and Repair | 1.0 | 2.1 | 3.1 | 4.2 | 5.2 | 5.2 |
| Inebriate Program | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Health & H.S. | 0.0 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Social Svcs Block Grant(90 day-supplm) | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Public Works | 0.1 | 0.5 | 0.6 | 0.8 | 0.9 | 0.9 |
| Economic Dev. & Planning | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Cultural & Recreation | 0.2 | 0.2 | 0.3 | 0.3 | 0.4 | 0.4 |
| Police | 0.0 | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 |
| Fire | 0.0 | 1.3 | 1.4 | 2.7 | 2.9 | 2.9 |
| Employee Relations | 0.0 | 0.3 | 0.4 | 0.3 | 0.1 | 0.0 |
| Transit | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Utility Increases | 0.0 | 0.0 | 0.3 | 0.4 | 0.4 | 0.4 |
| Total New Requirements (Nominal $'s) | 10.8 | 13.3 | 14.9 | 17.4 | 19.0 | 19.1 |
| **TOTAL FISCAL GAP with increases (NOMINAL $.s)** | **22.0** | **31.9** | **40.2** | **49.7** | **58.4** | **66.6** |

Property Taxes held at 1991 level plus New Construction

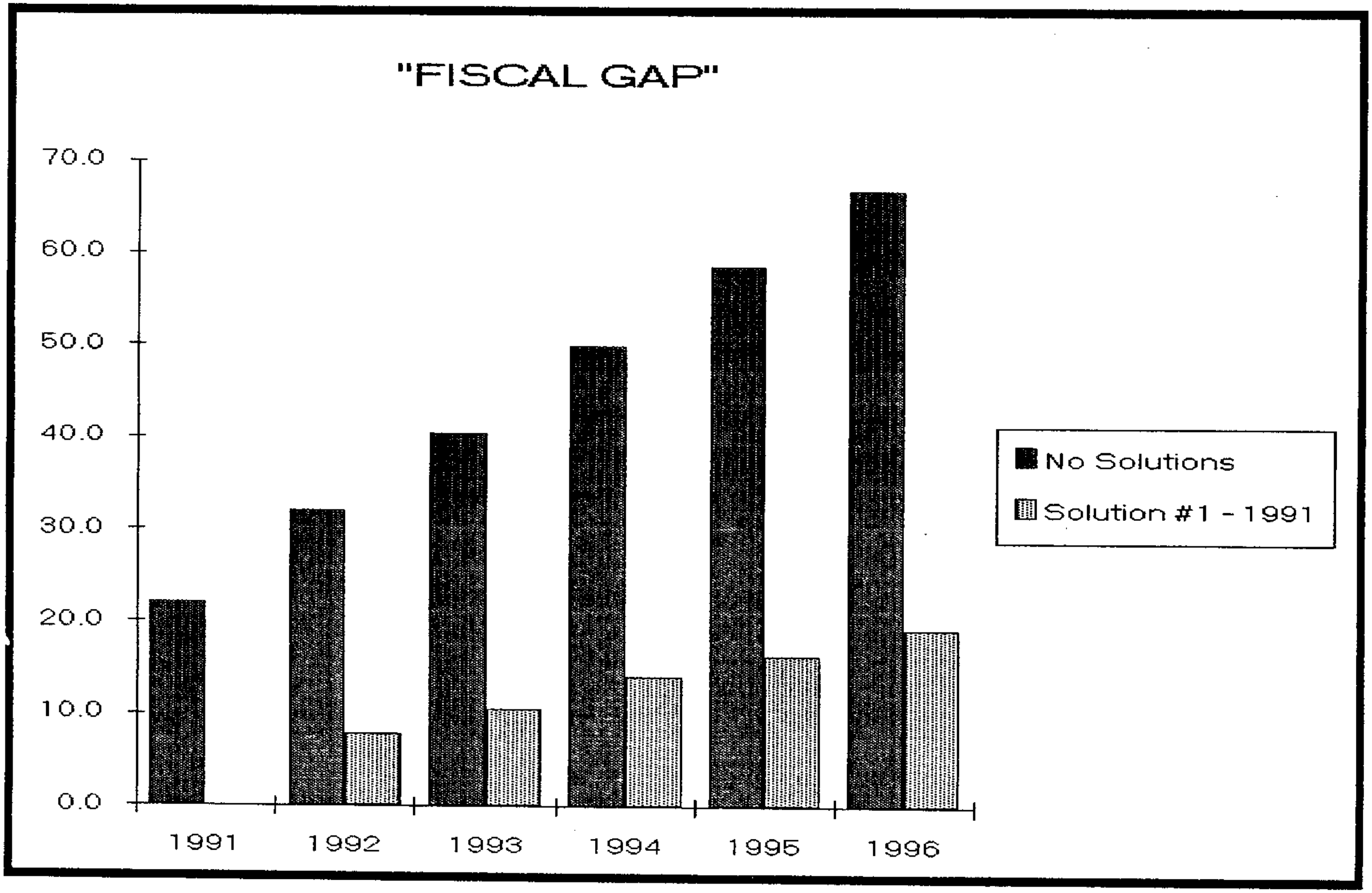
# "FISCAL GAP"
## Solution Options

| DESCRIPTION | OPTION 1 | OPTION 2 | OPTION 3 |
|---|---|---|---|
| Local Tax Transfer | 8.5 | 7.6 | 8.5 |
| State Capital Program Assistance | 4.9 | 4.9 | 4.9 |
| Police/Fire Retiree Medical | 2.4 | 0.0 | 0.0 |
| Compensation Concessions | 5.0 | 0.0 | 0.0 |
| Productivity Savings | 0.8 | 0.0 | 0.0 |
| Service Program Reductions | 0.4 | 0.0 | 6.0 |
| New / Increased Taxes: | | | |
| Fuel | 0.0 | 3.6 | 0.0 |
| Tobacco | 0.0 | 2.6 | 2.6 |
| Special Sales | 0.0 | 3.3 | 0.0 |
| Population. & Infl. Incr. | 0.0 | 0.0 | 0.0 |
| Subtotal Taxes | 0.0 | 9.5 | 2.6 |
| Increased Utility Revenue Distribution | 0.0 | 0.0 | 0.0 |
| Increased User Fees | 0.0 | 0.0 | 0.0 |
| **TOTAL** | **22.0** | **22.0** | **22.0** |

1. The focus of this option centers on COMPENSATION CONCESSIONS.
2. The focus of this option centers on RAISING NEW TAXES.
3. The focus of this option centers on PROGRAM REDUCTIONS.

* * * * * * *

The Administration recommends Option #1 as the optimal solution to closing the $22 million shortfall in the 1991 budget. This option can best be described as closing a significant portion of the $22 million fiscal gap by holding the line on property taxes and achieving compensation concessions.

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## FISCAL GAP
## Impact of Corrective Action

**Prior to Implementation of Solutions:**

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| | $22.0 | $31.9 | $40.2 | $49.7 | $58.4 | $66.6 |

**After Implementation of Annual Solutions:**

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| 1991 | $ -0- | $ 7.6 | $10.3 | $13.8 | $16.2 | $19.0 |
| 1992 | -0- | -0- | 5.2 | 8.7 | 11.1 | 13.9 |
| 1993 | -0- | -0- | -0- | 6.1 | 8.5 | 11.3 |
| 1994 | -0- | -0- | -0- | -0- | 5.1 | 7.9 |
| 1995 | -0- | -0- | -0- | -0- | -0- | 5.6 |
| 1996 | -0- | -0- | -0- | -0- | -0- | -0- |

**Corrective Strategy Matrix:**

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|---|
| Local Tax Transfer | $ 8.5 | $ -0- | $ -0- | $ -0- | $ -0- | $ -0- |
| State Capital Program Assistance | 4.9 | -0- | -0- | -0- | -0- | -0- |
| Police/Fire Retiree Medical | 2.4 | 2.5 | 2.6 | 2.7 | 2.8 | 2.9 |
| Compensation Concessions | 5.0 | 3.5 | 0.4 | -0- | -0- | -0- |
| Productivity Savings | 0.8 | 0.5 | 1.5 | 1.5 | 0.1 | 0.9 |
| Service Program Reductions | 0.4 | 1.1 | 0.7 | 1.9 | 2.2 | 1.8 |
| Taxes | -0- | -0- | -0- | -0- | -0- | -0- |
| Utility Revenue Distribution | -0- | -0- | -0- | -0- | -0- | -0- |
| User Fees | -0- | -0- | -0- | -0- | -0- | -0- |
| TOTAL SAVINGS | $22.0 | $ 7.6 | $ 5.2 | $ 6.1 | $ 5.1 | $ 5.6 |

FTR90/FTR01

## 1991 BUDGET RECAP
(Millions)

| | |
|---|---|
| Continuation Level Expenditures | $199.4 |
| New Requirements | 10.8 |
| Continued and New Requirements | $210.2 |
| Proposed Savings: | |
| - Police/Fire Retiree Medical | 2.4 |
| - Compensation Savings | 5.0 |
| - Productivity Savings | 0.8 |
| - Service/Program Reductions | 0.4 |
| | 8.6 |
| 1991 Administration Recommended Expenditure Level | $201.6 |
| Known Revenues | $188.2 |
| State Capital Program Assistance | 4.9 |
| Local Tax Transfer | 8.5 |
| 1991 Administration Recommended Revenue Level | $201.6 |

## EMPLOYEE COMPENSATION

Compensation includes all elements of salaries, wages, benefits, and services provided to an employee in return for work performed. These expense items roll into the cost figures expressed in the budget and must be considered in any compensation comparison between employee groups.

The Administration is committed to achieving equity between employee groups and to implementing a compensation level consistent with the private sector in Anchorage and, where comparisons don't exist locally, with the composite private/public sector levels in the Pacific Northwest, adjusted for the Anchorage cost of living differential. That basic principle was communicated to the Assembly prior to the compensation study which was performed by Hay Associates. It has been applied in the preparation of pay and benefit schedules for collective bargaining purposes.

In order to maintain credibility with the tax and rate paying public, Municipal wages and benefits should not exceed those in comparable positions in the private sector.

### WAGES:

A wage structure should be implemented based upon external and internal comparisons.

The pay schedules for positions in each bargaining unit and for non-represented employees prepared for bargaining purposes and budget preparation clearly follow the criteria of comparability with the Anchorage private sector or the Pacific Northwest. This has resulted in proposed decreases for many positions, but in a significant number of proposed increases as well, notably for JCC, AMEA and Non-Represented positions. We propose that these changes be implemented as quickly as possible in order to meet budgetary requirements resulting from reduced revenue.

We propose that wages remain as a negotiated element, but with final approval by the Assembly.

### BENEFITS:

The benefit structure for an organization is an area where uniformity is important to achieve equitable treatment between employee groups. Medical cost coverage, annual leave and holidays are as fundamental to the lowest-paid employee as to the highest-paid. Benefit costs, unfortunately, are soaring nationwide as well as in Alaska. There are many causes such as usage factors, provider cost increases, and inflation.

Whatever the cause, benefit cost increases can only be addressed uniformly and equitably through fundamental policy decisions enacted by the legislative body. The policy approach by the administration is to establish benefit programs which are based on a uniform plan of benefits. To maintain cost control, important benefit programs must not be subject to the whipsawing effect of negotiation with several bargaining units nor to the unpredictable outcome of binding arbitration.

POLICE AND FIRE RETIREE MEDICAL COSTS:

This cost item merits special consideration because the $146 million unfunded liability represents the largest new requirement in the 1991 budget proposal. If this matter is not resolved it will have an even larger impact on future years.

This subject is specifically addressed elsewhere. The key point here is to emphasize the danger of allowing this far-reaching funding liability to be placed in the hands of an outside binding interest arbitrator. It should be dealt with through the open legislative decision-making process.

BINDING INTEREST ARBITRATION:

The Administration continues to strongly oppose binding arbitration.

Originally, interest arbitration was intended as a part of the dispute resolution process to address the few remaining points on which parties to a collective bargaining agreement had reached impasse -- a clearly limited role which could be addressed specifically and quickly. Instead, interest arbitration has come to mean the writing of an entire contract by the arbitrator.

The incentive to negotiate to final agreement has been effectively eliminated. Neither the legislative or executive branches are permitted to carry out their legitimate functions when the largest single cost of Municipal government is determined independently of government -- by outside arbitrators.

TREATMENT OF COMPENSATION IN THE FISCAL PLAN:

Compensation savings -- wages and benefits -- have been factored into the 1991-96 fiscal plan. In order to achieve these savings the Administration will be proposing a program of legislative and collective bargaining actions.

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