

II. INTRODUCTION

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

The Assembly and the Administration should develop and implement long-range solutions to correct the Fiscal Gap. Section IV of this report details the options available to fill the gap for 1992, which could be carried over to the outyears. Unfortunately the service and program reductions are very real for 1992 and reflect the reduction or the elimination of certain services.

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The 1991 Revised Operating Budget for general government services totaled \$204,110,080 and was based on the following three goals:

1. Maintaining property taxes at the 1990 level plus new construction and voter approved increases for the community.
2. Funding the most essential public services and required administrative services and a contribution to the \$146 - \$167 million potential unfunded Police and Fire retiree medical liability.
3. Providing essentially the same services in 1991 as are provided in 1990, at a reduced cost.

These goals were attained in the 1991 general government operating budget with the exception being partial funding of the retiree medical cost.

As shown in this report, 1992 presents more difficult problems. Even continued savings and a slight upturn in the Anchorage economy have not been sufficient to offset the impact of increased labor costs and mandated new requirements, which result in a Fiscal Gap of over \$17 million for 1992.

We are definitely at the point where Anchorage residents will again feel the toll of budget reductions -- mainly in the area of cultural and recreational services, transit and community contributions.

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."

LONG RANGE PLANNING

Currently, the Municipality of Anchorage requires a one-year operating budget, a six-year program for fiscal policies and a six-year capital improvement plan (AMC 6.10). 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

**External Factors/
Assumptions**

Review/analyze external factors - State revenues, inflation, economy, and oil production trends. (Threats/opportunities). Develop assumptions.

**Internal Factors/
Assumptions**

Review/analyze internal factors - labor contracts, liabilities, new requirements, program revenues and budget history (strengths/weaknesses). Develop assumptions.

Identify Problem

Define Fiscal Gap.

DECISIONS/PLAN ADOPTION

**Identify Objectives
and Strategies**

Presentation of the three cases and available corrective strategies/actions - "Fills to the Gap"

**Strategy Evaluation
and Identify Solutions**

Identification of **appropriate** solution to each case.

**Adoption/Acceptance
of the Fiscal Plan**

Joint agreement of problem and solution by Administration and Assembly.

STRATEGY IMPLEMENTATION

Implementation

Strategies are implemented.

Monitor/Review

OMB - Periodic updates/analysis.