

II. INTRODUCTION

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The Fiscal Trends Report presents a strategic planning approach for the Municipality to solve projected Fiscal Gaps over the next six years. This process was designed so that the Assembly 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 Assembly and the Administration need to work toward developing and implementing long-range solutions to address projected Fiscal Gaps.

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The 1994 Proposed Operating Budget for general government services is currently proposed at \$213.9 million and is based on the following goals:

1. Economic Development -- The Municipality shall strive to contribute to the long-term stable recovery and growth of the Anchorage economy.
2. 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.
3. 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.
4. Maintenance of Municipal Facilities -- The Municipality shall strive to maintain existing facilities on a schedule that will allow users 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.
5. 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 recreation and leisure activities and city beautification within funding constraints.

These goals have been attained in the 1993 General Government Operating Budget with the exception of partial funding of the retiree medical cost, which is part of Goal #2 (Fiscal Stability), and deferred maintenance items, which is part of Goal #4 (Maintenance of Municipal Facilities).

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 citizen groups can get a good indication of future funding requirements for services and programs as well as anticipated revenues.

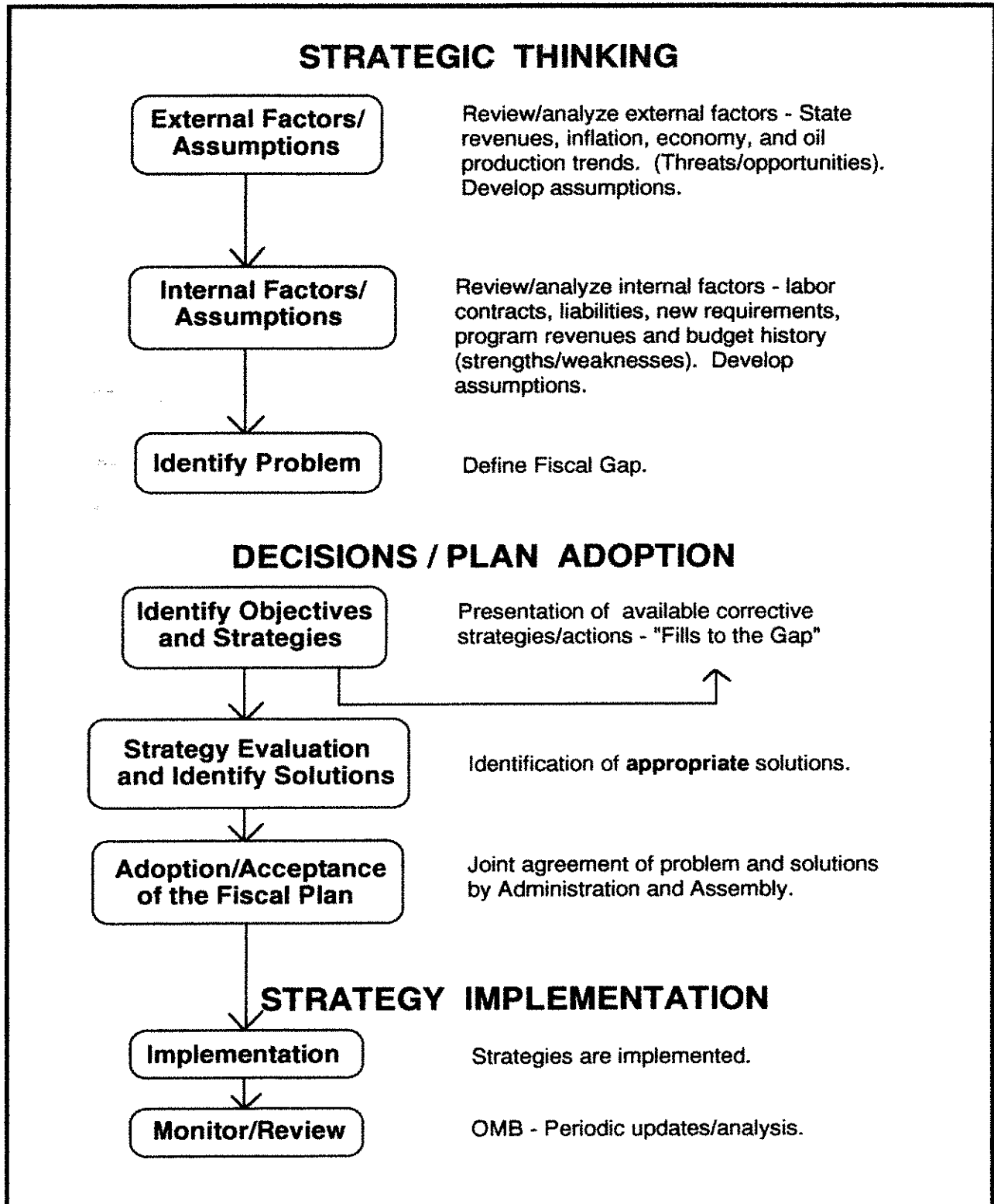
PLANNING PROCESS

For your reference, Page 2-3 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.

Figure 2-1

**GENERAL GOVERNMENT
SIX-YEAR BUDGET FORECAST
PLANNING PROCESS**



In line with the six-year planning process described in the introduction, the following pages outline and describe the external factors directly impacting Anchorage. Some of these factors are more consistent with operational problems at the State level, but it is realistic to assume that some of these could also influence Anchorage's economy.

We have offered a list of "THREATS" looming on the horizon which could be negated if some of the offsetting positive "OPPORTUNITIES" occur. A greater number of new opportunities in comparison to the prior year have emerged to stimulate the Anchorage economy. However, great uncertainty exists as to what the net long-term benefits of these opportunities will provide.

We must not lose sight of our dependence on State monies and that 85% of the State's revenues come from the production of oil. If falling State revenues require the reduction of the State government budget, we feel that it is only fair for local governments to share in that reduction. However, the current trend for the State to balance its budget on the back of local governments by disproportionate reductions in State Revenue Sharing and Municipal Assistance revenues must be stopped.

Finally as you read through the list of Threats and Opportunities facing Anchorage, keep in mind that all economic assessments are probable at best and are subject to many unknown external influences.

Figure 2-2

IMPACT ON ANCHORAGE

Threats/Opportunities

THREATS

- Continued Overall Decline in Prudhoe Bay Oil Production
- Decline in Oil Prices
- Continued Decline in State Revenue Assistance
- Increasing Number of Service/Retail Jobs; Decreasing Number of Management/ Professional Jobs
- Potential Threat of Further Reduction in Anchorage-based Federal Military
- Future Increases in Federal and State Mandates
- Potential Inflation Increase
- Increases in Various Federal Taxes
- Possible Housing Shortage
- Potential Loss of Jobs in Existing Retail Sector Due to Overexpansion
- Intra-State Airlines' Economic Uncertainties

OPPORTUNITIES

- New Jobs Created (i.e., Retail, Service, and Construction)
- New Construction (i.e., Retail, Schools, Utilities, Housing, Military, Native Hospital, Court House)
- Newly Discovered Oil Drilling Sites (i.e., Cook Inlet)
- National Retail Chains Opening/Expanding
- Expansion of Tourism (i.e., Ship Creek, Hatcher Pass, Larger Cruise Ships, Alyeska)
- Cold Storage and Secondary Processing Center for Alaskan Fisheries
- International Warehousing and Distribution Center
- Expansion of Facilities and Services at the International Airport
- Expansion of the Port
- Operations/Staging Location for Russian/Siberian Exchange
- Expansion of Winter Facilities/Tourism Enhancement
- ISTEPA Money (\$1.4 Billion Over 6-Year Life of the Act)

UNCERTAINTIES

- National Health Care Mandates
- Funding of Police/Fire Retiree Medical Benefits
- Effects of Future Labor Contracts
- Future State and Local Government Taxing Policies