

II. INTRODUCTION

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 1995 Proposed Operating Budget for general government services is currently proposed at \$217.6 million and is based on the following program goals:

1. Public Safety -- Provide services necessary to ensure a safe environment for both residents and visitors. Reduction of violent crime through increased on-street police presence and other measures is a primary goal. Public Safety services include police, fire, emergency medical and emergency preparedness, public health and environmental services.
2. Economic Development -- Facilitate orderly, attractive growth in our community.
3. Quality of Life -- Provide cultural and recreational opportunities which make our City a more liveable and enjoyable place to live. Provide basic social and public health services to those in need.
4. Maintenance of Municipal Facilities -- Maintain and extend the useful life of Municipal facilities such as roads and public buildings, as well as parks, bike trails and cultural facilities. By maintaining our Municipal infrastructure through an aggressive program of State grant funding combined with net revenues generated by Heritage Land Bank per AO 93-199(S), users of these facilities will enjoy the benefits of the improvements for many years.
5. Transportation -- Maintain a basic transit program, which we recognize as an important element of the City's overall transportation system.

6. Fiscal Stability -- Provide needed public services at less than the tax cap. The Municipality will prepare for changing fiscal circumstances and will strive to assure the long-term financial integrity of local government. The Administration will strive to achieve no increase in personnel costs.

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.

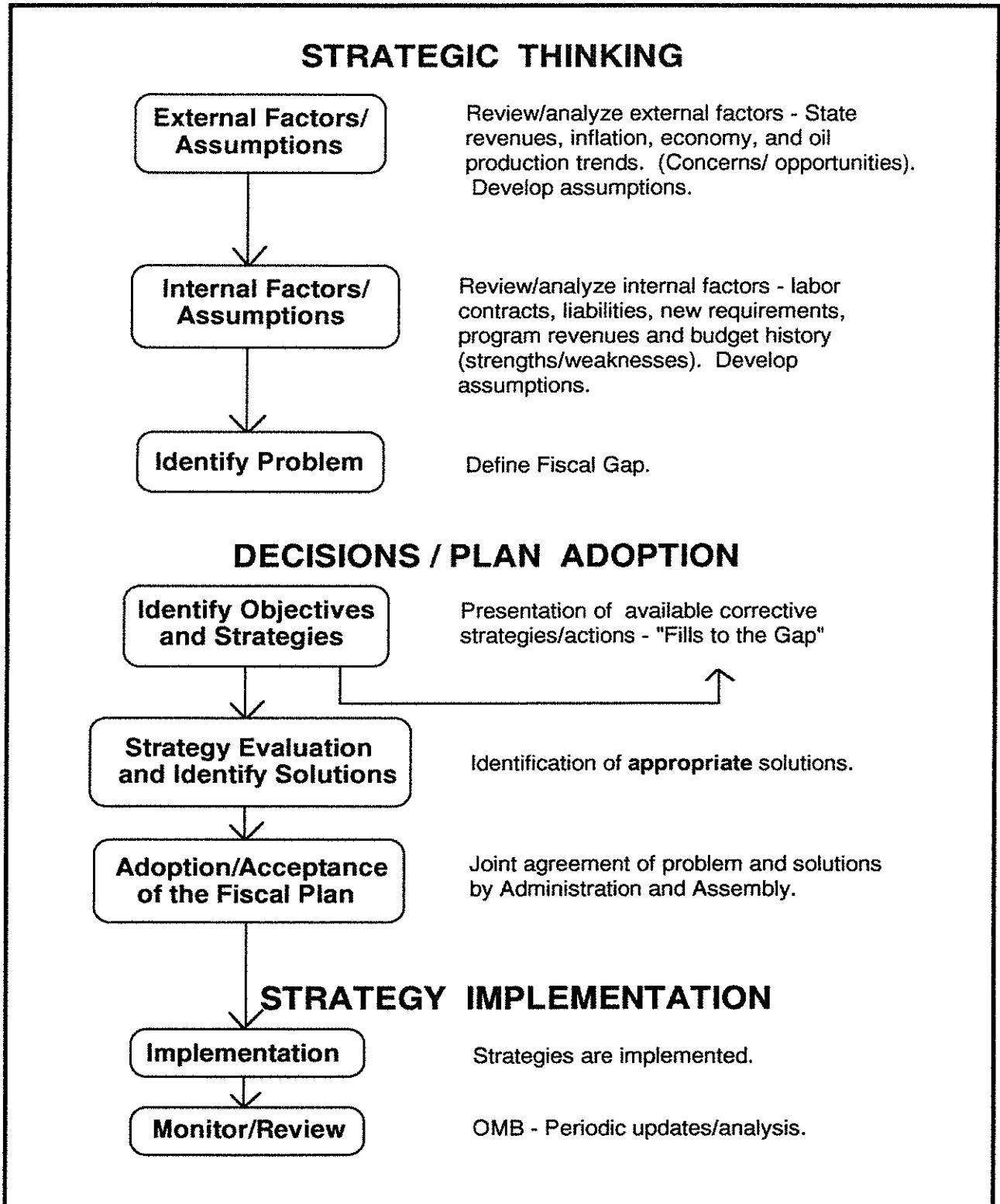
PLANNING PROCESS

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, various 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, however it is realistic to assume that these factors will also affect Anchorage's economy.

We have offered a list of "CONCERNS" looming on the horizon, the effect of which could be mitigated if various "OPPORTUNITIES" fully develop. A great number of opportunities are available to Anchorage to further stimulate the local economy. The net long-term effect on Anchorage of these concerns and opportunities has not been quantified in our analysis.

Generally, lower oil prices and recent downsizing in the oil industry have triggered concern by many. We should not lose sight of our dependence on State monies and the fact 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 equitably 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 should be stopped.

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

Figure 2-2

IMPACT ON ANCHORAGE

Concerns/Opportunities

(Shown in No Particular Order)

CONCERNS

- Continued Decline in Prudhoe Bay Oil Production
- Unpredictability of Oil Prices
- Substantial Decline in Oil Industry Employment
- Continued Decline in State Revenues
- Larger Percentage of Local Workforce Composed of Service/Retail Jobs
- Minimal Population Growth in Coming Year
- Possible Future Reductions in Anchorage-based Military
- Future Increases in Unfunded Federal and State Mandates
- Cost of National Health Care Mandates
- Cost and Funding of Police/Fire Retiree Medical Benefits
- Outcome of Current Labor Contract Negotiations, Including Binding Arbitration Settlements
- Possible Reductions in State Revenue Sharing and Municipal Assistance in Coming Year
- Outcome of Exxon Settlement (May Discourage Future Oil Industry Development)

OPPORTUNITIES

- Creation of New Jobs (i.e., Retail, Service, and Construction)
- New Construction (i.e., Schools, Utilities, Interties, Housing, Military, Native Hospital, Court House, FBI Building)
- Expansion of Winter Facilities/Tourism Enhancement (i.e., Alyeska Prince Hotel; Glacier-Winner Creek)
- Expansion of Other Tourism (i.e., Ship Creek, Hatcher Pass, Larger Cruise Ships)
- Public Cold Storage and Secondary Seafood Processing in Anchorage
- International Warehousing and Air Cargo Distribution Growth
- Expansion of Facilities and Services at the International Airport
- Potential Attraction of Knowledge Intensive Industries by Emphasizing Anchorage's Quality of Life and State of the Art in Telecommunications
- Expansion of the Port
- Operations/Staging Location for Russian/Siberian Exchange (e.g., Wholesale Food Sales and Oil Development)
- Intermodal Surface Transportation Efficiency Act (ISTEA) Funds (Anchorage receives allocations of approximately \$40 million per year for both Municipal and State roads, trails, transit, and other transportation-related enhancements)
- Outcome of Exxon Settlement (May Provide Local Residents with a One-time Economic Gain)