

**SIX YEAR FISCAL PROGRAM
1996 - 2001**



Municipality of Anchorage

**Rick Mystrom
Mayor**

**1996 - 2001
SIX YEAR FISCAL PROGRAM
MUNICIPALITY OF ANCHORAGE**

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Municipality of Anchorage



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Rick Mystrom, Mayor

OFFICE OF THE MAYOR

September 29, 1995

Dear Residents of Anchorage:

I am pleased to present the Six Year Fiscal Program for years 1996-2001. In the first year of my administration, we have worked hard to make Anchorage a better place to work, live, and raise our children. This report describes some of the important functions local government can perform in helping to shape Anchorage's future.

We are pleased with the progress made in the past year toward our goals. Emphasis was placed on improving public safety, making Anchorage a cleaner and more beautiful city, enhancing our recreational opportunities, and encouraging economic development. Details on our accomplishments are included in this report.

In the coming years we plan to continue to work aggressively to make Anchorage one of the safest and most livable cities in America. We will take further steps to curb violent crime and continue to focus on more effective ways to deal with juvenile crime.

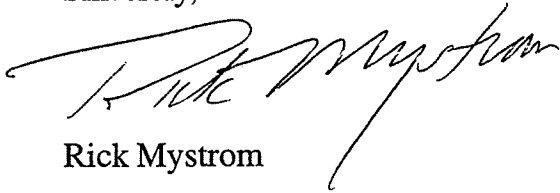
This Administration will be enhancing our cultural and recreational facilities including expansion of the Coastal Trail, upgrade of sports facilities, and neighborhood park improvements. We are continuing to consider new recreational opportunities to offer to our youth which will keep them focused on healthy types of activities.

In the area of economic development, we intend to foster a climate that will help encourage the growth of existing businesses and to attract new businesses to Anchorage. Anchorage is in a unique position as a transportation hub both for Alaska and much of the world. Working in partnership with Anchorage Economic Development Corporation, we expect to capitalize on our global position and encourage businesses to locate here.

If State revenue sources continue to decline over the next decade, it will become more of a challenge to provide our residents with not only a safe city but also one that encourages cultural and recreational opportunities and economic development.

The Six Year Fiscal Program presents options for addressing fiscal constraints that are expected to occur in the near future. The report outlines three main options for consideration by the Administration, the Assembly, and the Public -- reduced expenditures, new revenue sources or a combination of the two. All projections in the Six Year Fiscal Program were developed with information that was considered the most reliable and current at the time of development. It is important to keep in mind that circumstances may arise which could change the assumptions and thus the projected fiscal outlook.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick Mystrom". The signature is written in a cursive style with a large, sweeping initial "R".

Rick Mystrom

PREFACE

In accordance with the Charter, the Mayor is required to submit to the Assembly a “six-year program for public services, fiscal policies and capital improvements of the Municipality. The program shall include estimates of the effect of capital improvement projects on maintenance and personnel costs.”

Like all responsible governments, the Municipality of Anchorage must provide its citizens with a certain level of important and critical services. The purpose of the Six Year Fiscal Program is to provide policy options related to services demanded by the public. The options included in the report are offered for consideration.

The Six Year Fiscal Program is intended to encourage a balanced approach toward dealing with changing fiscal conditions. Achieving that balance will likely result from a mix of expenditure reductions and revenue enhancements. Key strategic policy decisions will need to be made in order to determine exactly what that mix should be.

If the reader desires more demographic and financial information, there are a number of alternative sources available at Municipal libraries, such as:

- Anchorage Indicators
- Comprehensive Annual Financial Report (CAFR)
- General Government Operating Budget
- General Government Capital Budget/Program
- Public Utilities Operating Budget and Capital Budget/Program

1996 - 2001
SIX YEAR FISCAL PROGRAM
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1. EXECUTIVE SUMMARY

The 1996-2001 Fiscal Program outlines the fiscal concerns that the Administration expects for the future and presents potential options to address these concerns. The report is designed to generate public discussion so that we can adequately plan for changing fiscal conditions and maintain a stable fiscal environment.

A primary goal of the Administration is to provide Anchorage residents with one of the most livable cities in America. In order to achieve this goal, we must continue to adequately address public safety issues. We have made progress in that area by proceeding with police academies that will provide 60 additional sworn officers. Funding for these new officers is currently derived from various sources including a federal grant, applied fund balance, allocated Municipal Assistance/State Revenue Sharing, and property taxes. Within the next 3 years, however, the federal grant funding will no longer be available, yet our need for the officers will continue. We have to plan for that time when other funding sources may be needed.

We must also capitalize on the unique cultural and recreational activities that Anchorage and Alaska provide. If we can help our children find rewarding outlets through sports, books, or other cultural or recreational activities to occupy their days, they will be less likely to become involved in juvenile crime. The completion of both the Harry J. McDonald Recreational Facility in Eagle River and Dempsey Anderson in West Anchorage and construction of the Sports Center in South Anchorage can provide such opportunities, if approved by the voters.

One of the financial challenges facing the Municipality is how to achieve our goals despite the declines in State revenues. Municipal Assistance and State Revenue Sharing have been decreasing since the mid- 1980s. This decrease has caused a significant impact on the operating budget. Efficiencies were realized and cuts were made in programs and services less visible to the public in order to relieve some of the budgetary pressure. Despite the budget cuts that occurred, the local property taxpayer experienced a tax shifting directly caused by reduced State funding, and unfunded federal and State mandates. The issue of a more equitable revenue structure in lieu of further increasing the burden on Anchorage property owners should be examined.

We must continue to find ways to stimulate the economy. Expansion of the Anchorage International Airport and the Port of Anchorage seem to be promising opportunities, as does development in the Girdwood community. Such expansion should encourage economic development, thereby stimulating population growth, increasing the demand for new housing, and raising commercial property values.

This document presents options for consideration by the Assembly and the public to address ways in which we can manage future fiscal requirements while continuing to expand our local economy. The three main categories of options are expenditure reductions, new revenue sources or a combination of the two.

2. BACKGROUND

Results of Management Actions Taken 7/94-8/95

The Administration has worked hard since July 1994 to make progress in a number of crucial areas. Below is a summary of some of the most significant accomplishments we have achieved:

help **Funding Program for Police/Fire Retiree Medical Liability** - Effective January 1, 1995, a Retiree Medical Funding Program was established for active employees who were members of the Police and Fire Retirement System. This funding program, which resulted from months of negotiations between the Administration and the Police and Fire labor unions, replaced the retiree medical health coverage previously available to these employees at retirement. The new funding program significantly reduces the retiree medical liability and will save the taxpayer millions of dollars. The present value of the retiree medical liability was reduced by approximately \$78 million (from \$103 million to \$25 million).

1995 Operating Budget \$3.5 Million under Tax Cap - The Assembly approved the general government operating budget at a level \$3.5 million under the Tax Cap. In addition, the Mayor's veto was sustained regarding the level of property taxes requested by the School District (i.e., an additional \$3.1 million). This combined property tax savings of \$6.6 million represents a permanent savings to the taxpayer. By curtailing the growth of property tax revenues in 1995, property taxpayers will realize a permanent form of cost avoidance (i.e., the property tax cap over the next six years will be millions of dollars less than it would have been had the Municipality taxed to the cap in 1995).

New police officers and firefighters in PERS; 3 New Police Academies; Additional Sworn Officers - Effective October 1994, newly-hired police officers and firefighters began participating in the State retirement system, consistent with nearly all other State and municipal employees. Since resolving this long-standing

issue, the Municipality began proceeding with 3 police academies during late 1994-1995, which will provide 60 additional sworn officers to the force.

Emergency Medical Services (EMS) Integration — In December 1993, the Assembly approved the Fire/EMS Integration Plan (B-110). As a result of the B-110 Plan, paramedics have been cross-trained and now staff the fire engines as firefighter/paramedics; firefighters, too, have been cross-trained as emergency medical technicians (EMTs) and now staff the medic units/fire engines as firefighter/EMTs. The B-110 Integration Plan has greatly increased the Municipality's medical emergency response capability and has reduced future overtime liability associated with the Fair Labor Standards Act (FLSA).

Negotiated labor contracts with IBEW/ML&P and Joint Crafts Council - During the early part of 1995, the Municipality and two of its labor organizations reached agreement on multi-year labor agreements. The IBEW/ML&P Agreement provides for a wage freeze in 1995 and 1997, with cost of living adjustments capped at 4% in 1996 and 1998. The Joint Crafts Agreement also provides for a wage freeze in 1995, with cost of living adjustments capped at 2.5% in 1996 and 1997. Both agreements contain new provisions for reduction of cash value leave.

Passage of April 1995 General Obligation Bonds - In April 1995, the voters passed the bond proposals by a significant margin. These bonds will provide funding to rehabilitate existing road and park facilities, enhance public safety operations and design new sports/recreation facilities in Eagle River and the Anchorage Bowl.

Establishment of Beautification Task Force - Most of the resources necessary to make the Beautification Program a success are intended to be in the form of donated time and services by the residents and businesses of Anchorage. The Task Force has already generated some exciting and innovative ideas for beautifying our city such as the winter outdoor illumination program, wildflower planting as a part of the elementary school science curriculum, and the Celebration of Anchorage Awards for beautification and urban design.

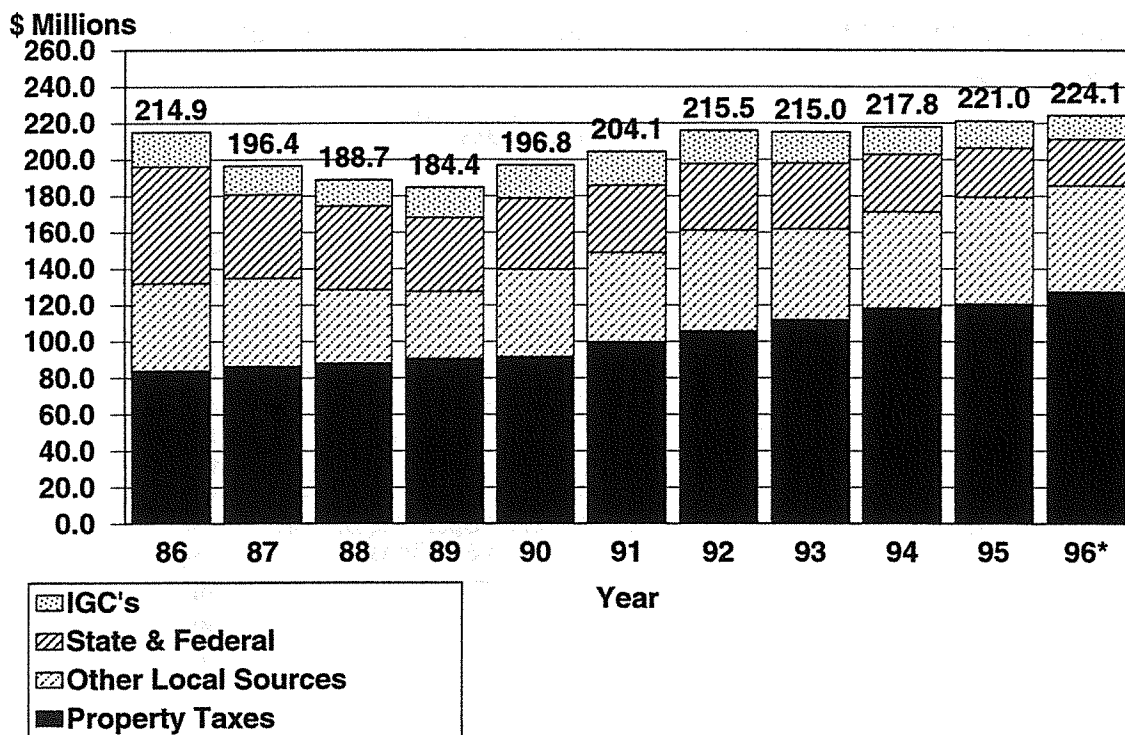
Tracking Program for Taxable Business Property - The Property Appraisal Division has implemented a discovery program whereby business licenses issued by the State of Alaska are matched with the Municipal database of businesses which have declared taxable property. Businesses with a license which have not

reported taxable property are discovered and notified of requirements to file returns with the Municipality. The taxable roll is expected to increase by \$20,000,000 to \$50,000,000 as a result of this project. The potential increase in revenues would be approximately \$360,000 to \$900,000 and the responsibility for sharing the costs of government will be more equitably distributed among business owners.

Historical Trends

Reductions have been made to the General Government Operating Budget over the last decade to absorb inflation, react to a major economic downturn and adjust for reductions in state and federal revenue sharing. State and federal mandates have caused some increase in expenditures in order to meet associated requirements.

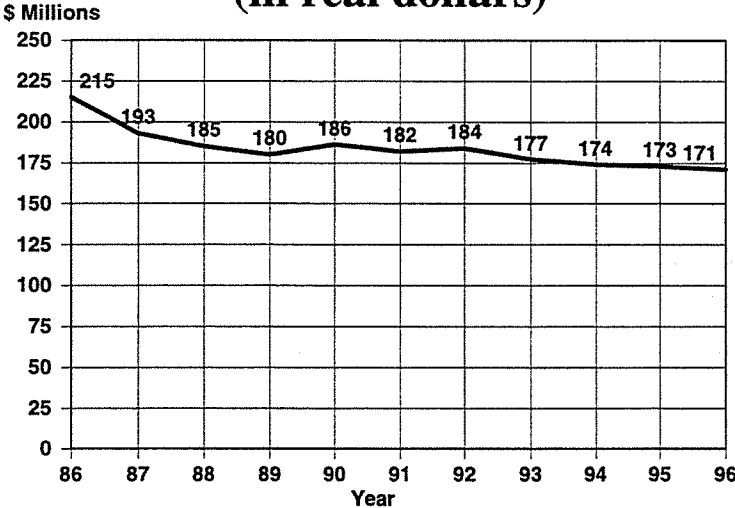
Budgeted Revenues General Government Operating Budgets 1986 - 1996 *



* 1986 - 1995 Revised Budgets; 1996 Proposed Budget.

Considering the effects of inflation, the General Government Operating Budget has decreased by 21% since 1986 as shown in the following graph:

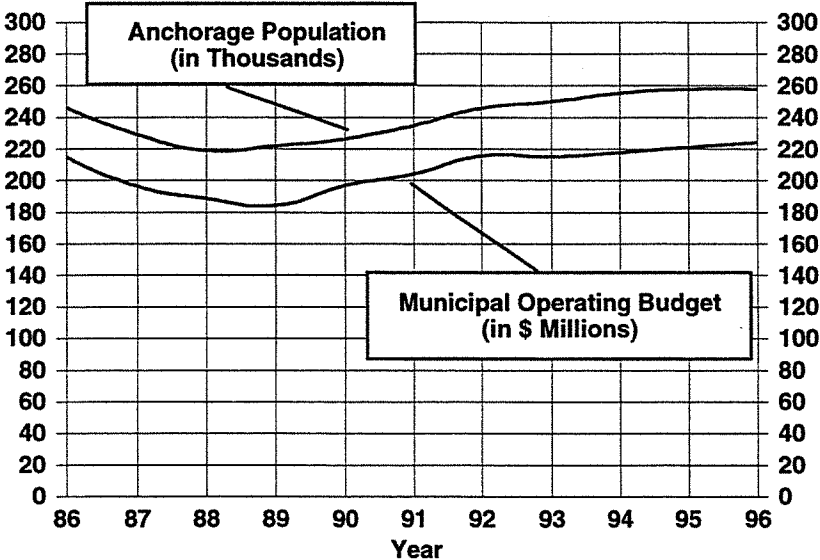
General Government Operating Budgets 1986 - 1996 * (in real dollars) **



* 1986 - 1995 Revised Budgets; 1996 Proposed Budget.
** 1986 used as base.

The operating budget has closely patterned Anchorage's population trend as shown in the following graph:

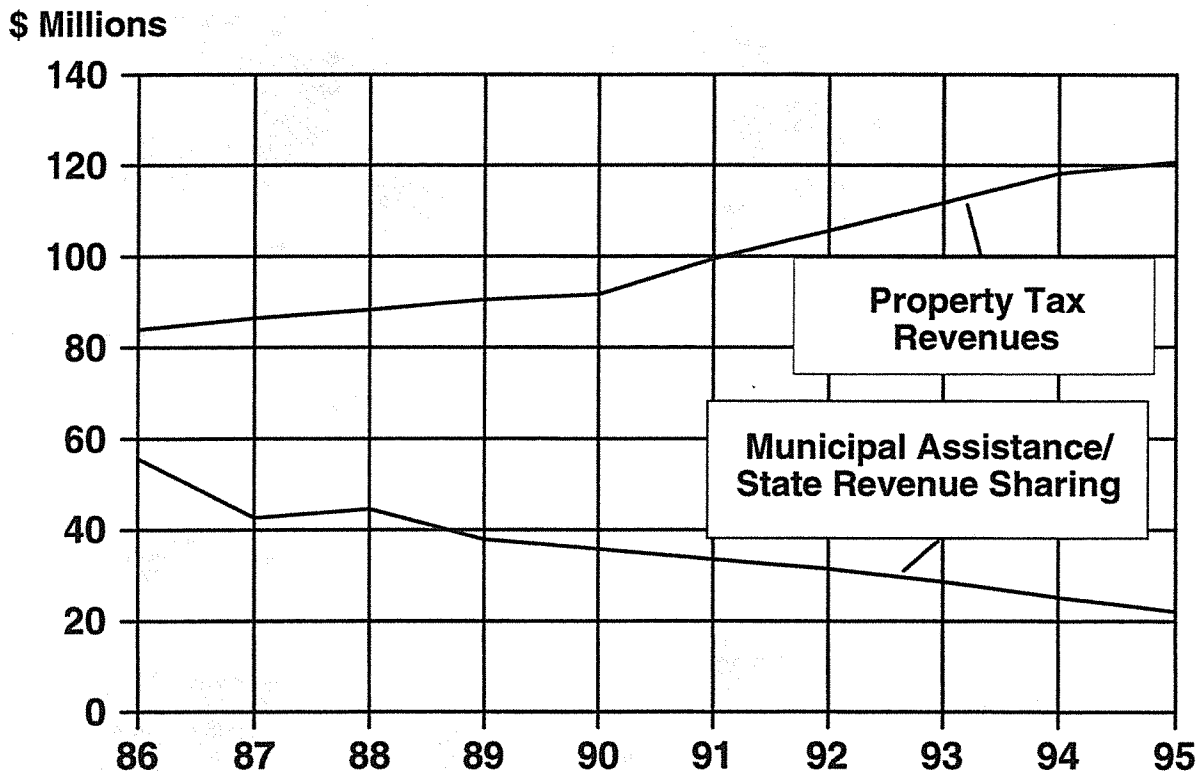
Budget/Population Trends 1986 - 1996 *



* 1986 - 1995 Revised Budgets; 1996 Proposed Budget.

Much of the pressure that has been exerted on the general government operating budget in recent years has been directly caused by past reductions in State Revenue Sharing and Municipal Assistance. Property taxes have increased to offset the reduction in State revenues. We believe that the Municipality has borne more than its fair share of State budget cuts via decreased funding to Municipal Assistance and State Revenue Sharing.

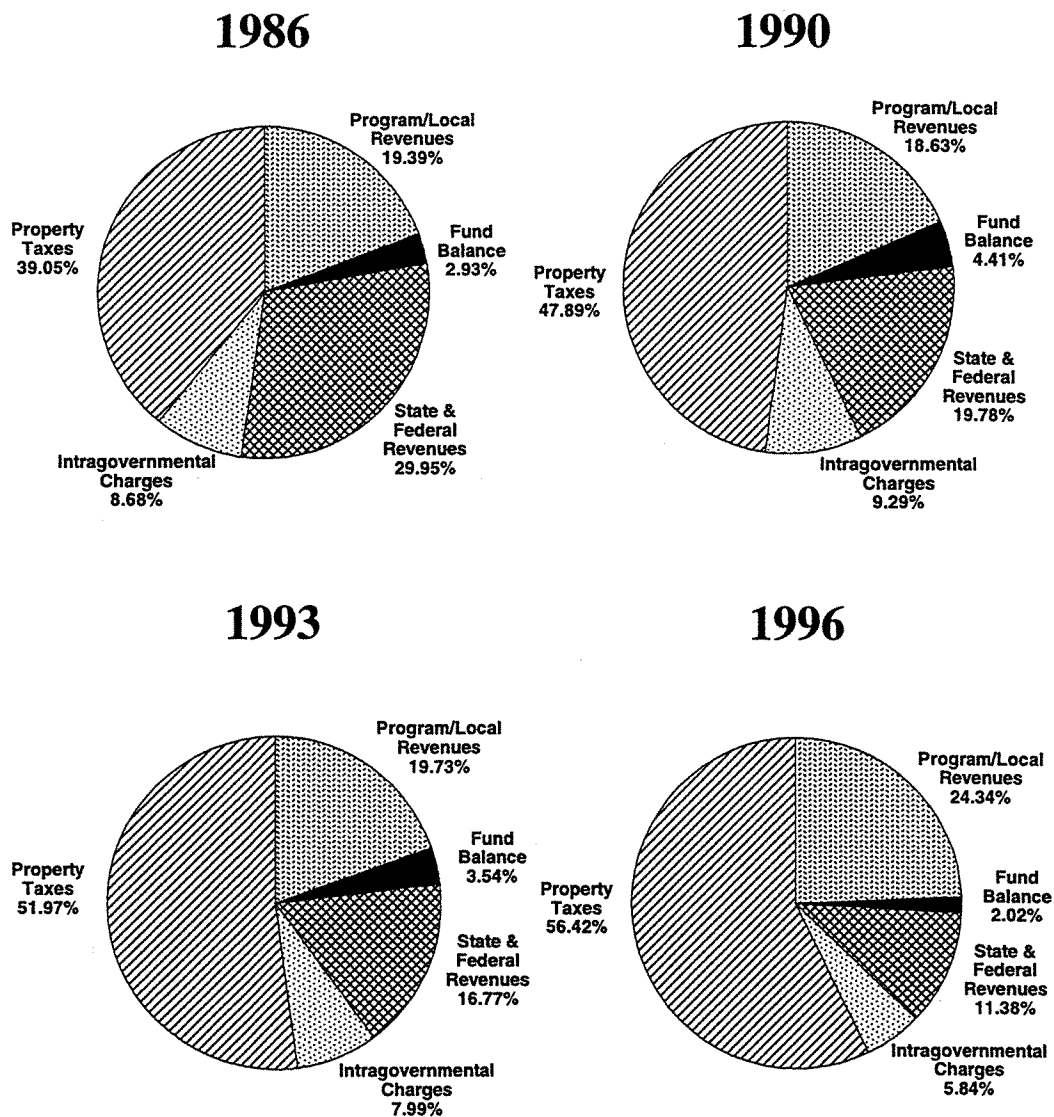
Municipal Assistance and State Revenue Sharing/ Property Tax Trend 1986 - 1995



Since 1986, property tax revenue increased \$36.9 million while State Revenue Sharing decreased \$33.7 million. This represents a form of tax shifting from the State to the local level.

The following charts illustrate the increased reliance on local revenue sources over the last decade due to the tax shifting associated with State budget cuts to Municipal Assistance/State Revenue Sharing.

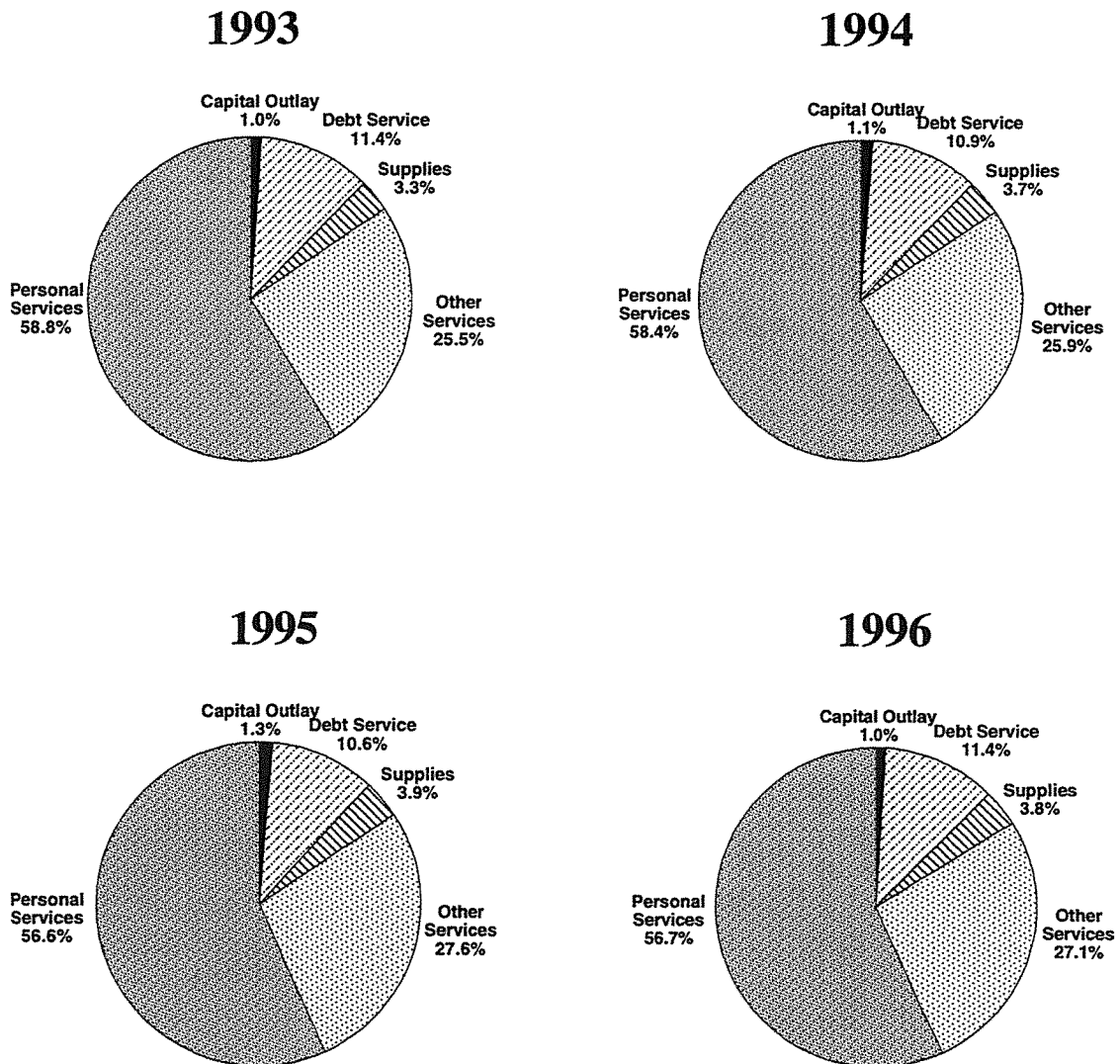
Operating Budgets by Source of Funds 1986 - 1996 *



* 1993 - 1995 Revised Budgets; 1996 Proposed Budget.

As shown in the following graph, the proposed 1996 General Government Operating Budget is comprised of 56.7% personal service costs and 11.4% debt service on general obligation bonds.

General Government Budgeted Expenditures Direct Cost by Type 1993 - 1996 *



* 1993 - 1995 Revised Budgets; 1996 Proposed Budget.

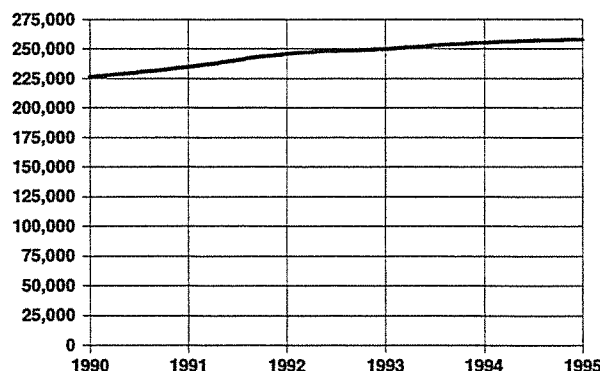
3. *FUTURE ECONOMIC OUTLOOK*

Anchorage has had strong population, employment and economic growth, despite cutbacks in the military and oil industry. The population reached a record 257,780 residents in 1995, up 14 percent since 1990. Similarly, 1995 employment is expected to average a record 121,800, a 9 percent increase over 1990. Much of this employment growth was related to construction of 1.7 million square feet of new retail space. Other major developments completed or in process include \$319 million in hospital construction, \$170 million in school construction, a \$100 million resort hotel in Girdwood, a \$35 million State courthouse, as well as major road construction and airport expansion projects. Anchorage's housing industry also rebounded strongly since 1990. Future projections expect tourism to grow at about 5 percent annually. The assumptions highlighted below indicate a stable fiscal environment for the next several years.

Major Economic Assumptions (Population, Inflation, Assessed Valuations, New Construction)

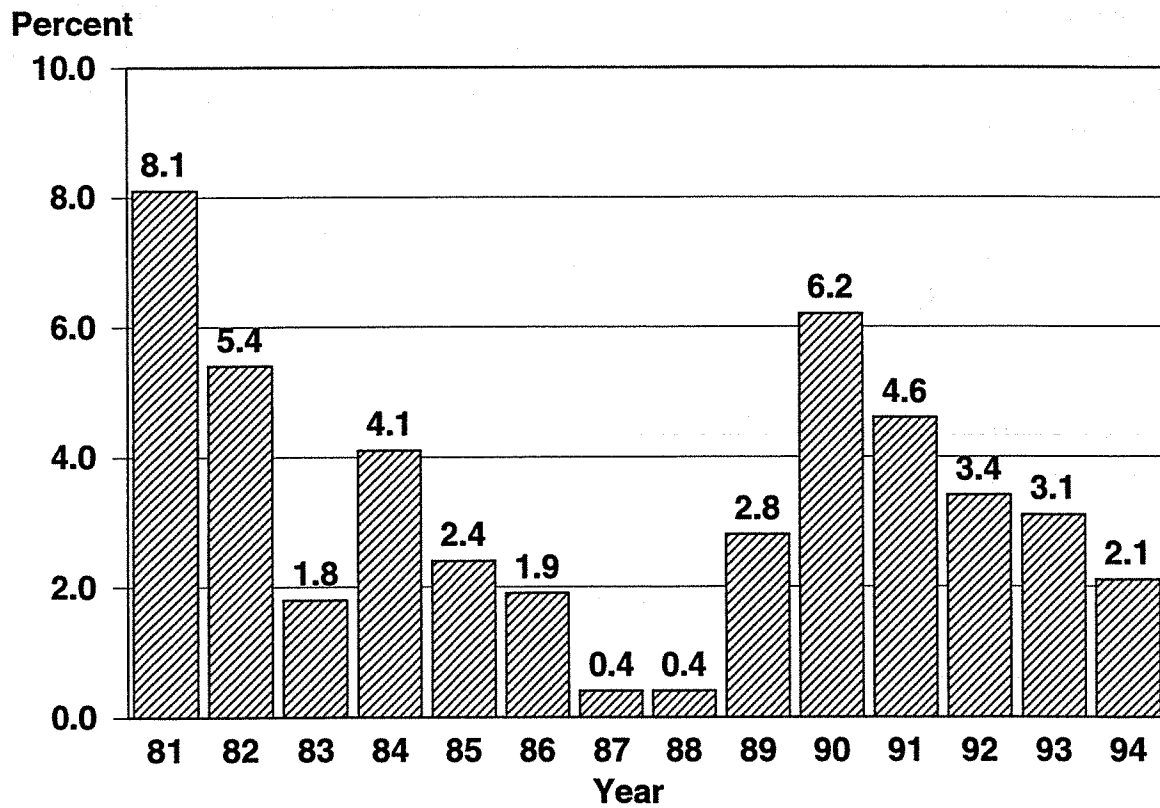
POPULATION — Since 1990 Anchorage's population has grown at an average annual rate of 2.6 percent. This is substantially above the national rate of 1 percent annual growth. The University of Alaska Anchorage's Institute of Social and Economic Research (ISER) forecasts that Anchorage's annual population growth over the next six years will be slightly less than 1 percent.

Anchorage Population 1990 - 1995



INFLATION — Inflation is assumed to be 3% for 1995, increasing to 3.9% annually from 1997 to 2001. These projections are consistent with the State's oil and gas revenue forecast and the ISER forecast.

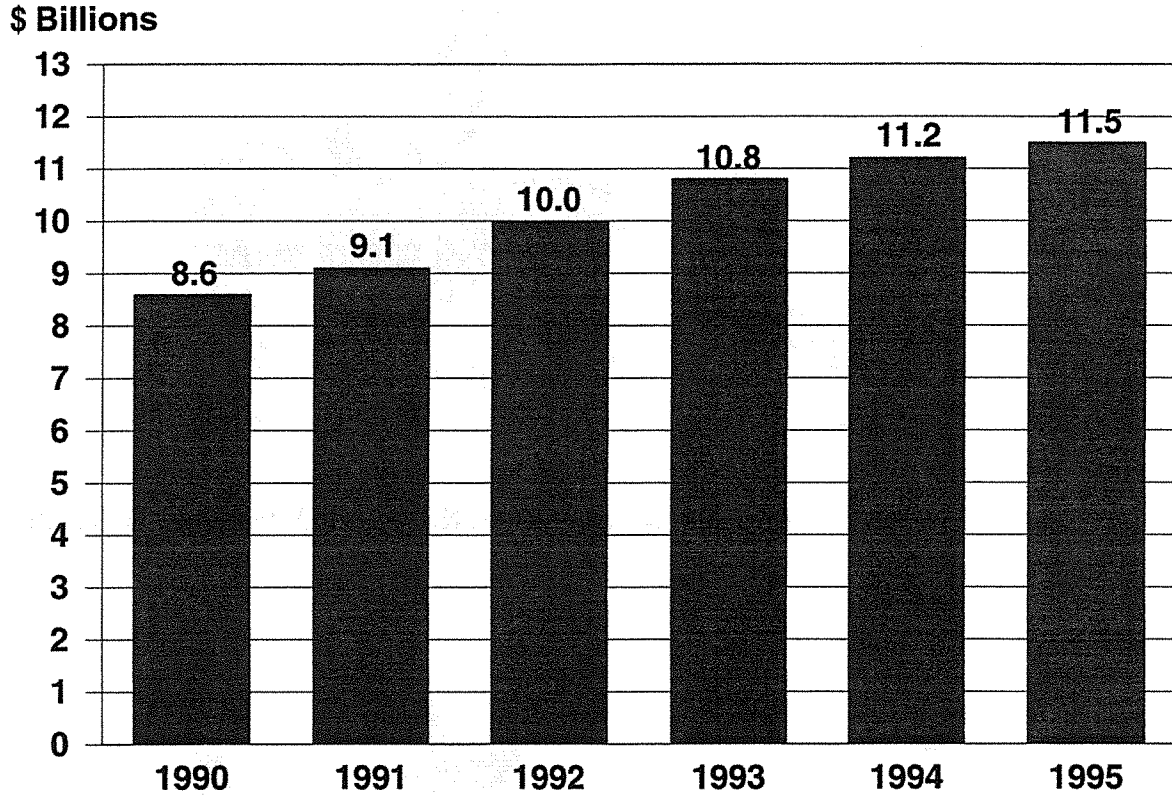
Anchorage Consumer Price Index Annual Change for All Items for All Urban Consumers 1981 - 1994 Historical Trend



Source: U.S. Department of Labor, Bureau of Labor Statistics

ASSESSED VALUATIONS — Beginning in 1996, the taxable property values are projected to increase at a rate of 1.5% per year through the year 2001. Increases in value are expected to occur mostly in new construction and in residential values.

Assessed Valuation of Real and Personal Taxable Property

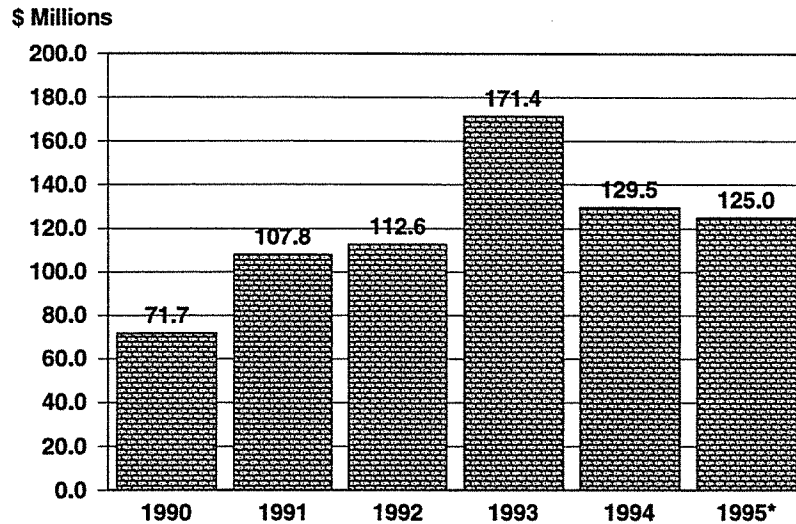


NOTE: The total number of real property parcels appraised in 1995 is estimated to be 85,839. Values shown above include residential property, personal property, commercial property, and Utility Net Plant (i.e., MUSA).

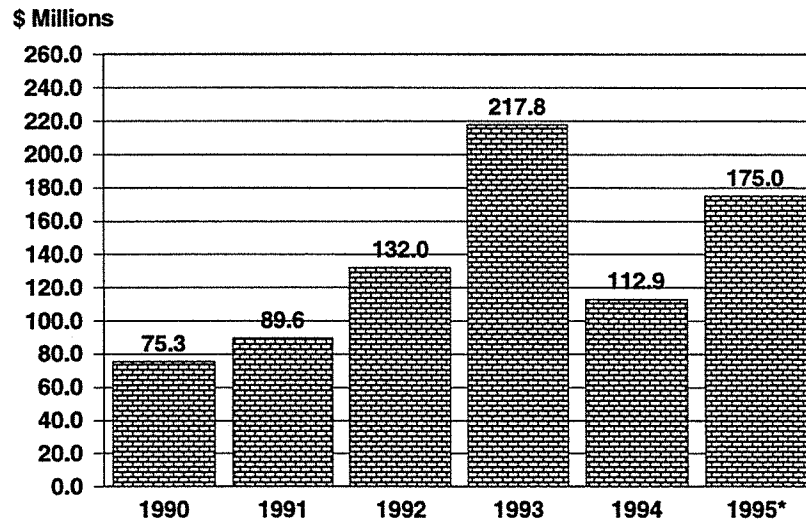
Source: Property Appraisal Division, MOA

NEW CONSTRUCTION — Residential and commercial construction are projected to continue with a substantial level of activity in 1996. Although construction levels have been extremely strong over the last several years, past trends/cycles would indicate that a slowing down period can be expected. The following graphs illustrate recent trends.

Construction Spending in Anchorage - Residential



Construction Spending in Anchorage - Non-Residential



* Projected as of 07/31/95.

NOTE: The graphs shown above are based on recorded permit activity. The dollar values shown represent estimated values prior to construction. Permits are issued for all construction regardless of whether it is taxable. There is no direct link between these figures and those included in the tax cap calculation (i.e., taxable new construction).

Source: Public Works Department, MOA

Major Opportunities/Concerns

There are many economic opportunities available in Alaska. Our task is to pursue known opportunities and identify and capitalize on new opportunities that would impact Anchorage. We also must be aware of the concerns facing our city so we can take appropriate steps to mitigate their impact. Below is a list of opportunities and concerns:

Current and Future Economic Opportunities

- Creation of new jobs (retail, service and construction)
- Continuation of construction activity (e.g., schools, utilities, new retail stores, interties, hotels and tourism facilities)
- Continuation of strong residential construction activity (e.g., new housing units, renovation of existing stock, subdivision platting and development)
- All-Season tourism enhancement (e.g., Girdwood development, Hatcher Pass, Ship Creek Development, Native Heritage Park, Coastal Trail Expansion)
- Expansion of international warehousing and air cargo distribution
- Improved marketing of Anchorage International Airport
- Attraction of new industries to Anchorage (e.g., semiconductors, software development, satellite assembly, light manufacturing)
- Expansion of the Port of Anchorage
- Intermodal Surface Transportation Efficiency Act (ISTEA) funded transportation projects (e.g., roads, trails, overpasses, bridges, beautification, air quality)
- Development of the Arctic Oil Reserve
- Foreign export of Alaskan oil
- Increased development of smaller margin oil fields
- Development of natural gas pipelines (North Slope to Valdez and Anchorage to Whittier)

Current and Future Economic Concerns

- Increasing trend in arbitration and judicial decisions relative to labor, compensation and benefit issues which view the Municipality as having "deep pockets" thereby negatively impacting the Municipality, carrying significant financial burdens and disregarding the cost impacts to the public
- Continued decline in Prudhoe Bay oil production and downsizing of the oil industry
- Continued decline in State revenues
- Larger percentage of local workforce composed of service/retail jobs
- Slow population growth rates
- Shifting of State responsibilities to local government without adequate funding
- Outcome of remaining labor contract negotiations, particularly binding arbitration awards

4. PUBLIC SERVICES AND CAPITAL PROJECT FUNDING

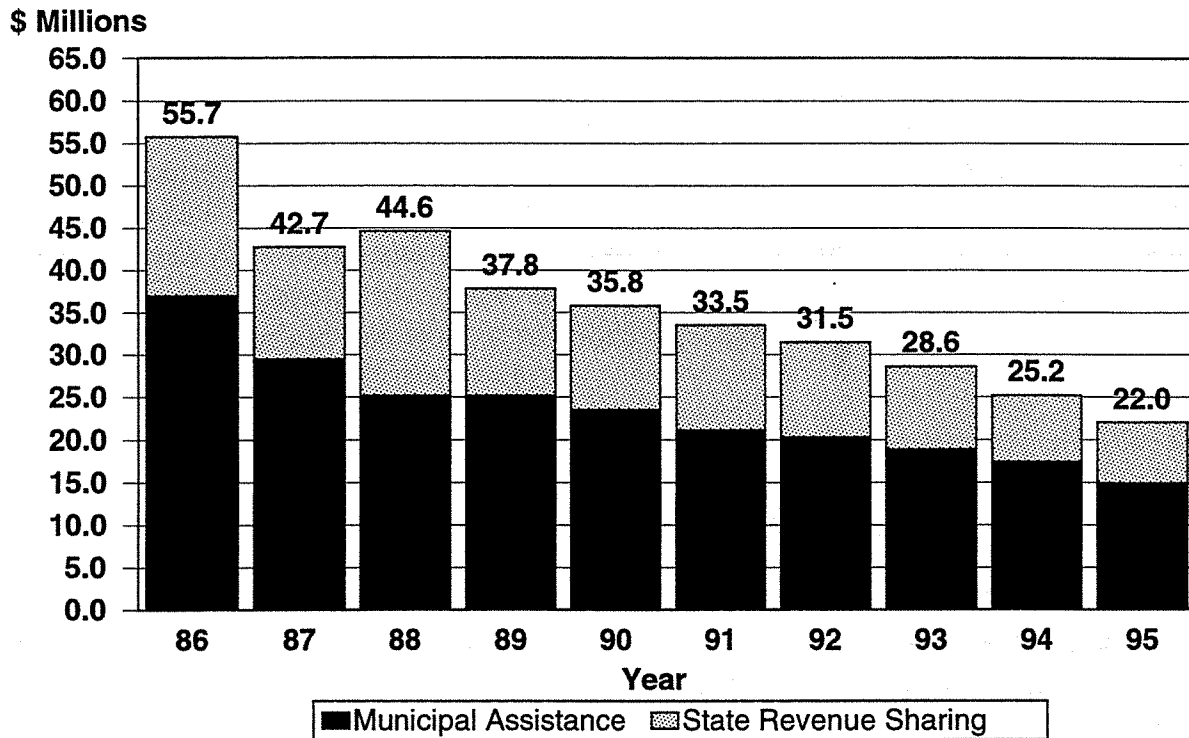
Public services and capital projects enhance the quality of life in Anchorage by maintaining a safe city; providing cultural, recreational and educational activities and programs; balancing responsible development with environmental concerns; providing critical human services to people in need; responding to fire, rescue and emergency medical situations; and maintaining a basic public transportation system. Unless significant expenditure reductions are made and/or alternative revenues are generated, the local property taxpayer can expect to shoulder an increased tax burden in the future.

State Revenues (Operating and Capital)

Over the last 10 years, State Revenue Sharing and Municipal Assistance have decreased an average of 9.5% per year. We believe that Anchorage has taken more than its fair share of cuts to Municipal Assistance and Revenue Sharing. Local taxpayers have experienced an increase in the property tax burden in direct proportion to the cuts made by State government to Municipal Assistance and Revenue Sharing. Should the State choose to continue this method of tax shifting, then the Municipality will need to find additional ways to reduce expenditures, increase property taxes or increase non-property tax revenues.

The following graph illustrates the dramatic decrease in State operating assistance over the last ten years:

Municipal Assistance and State Revenue Sharing

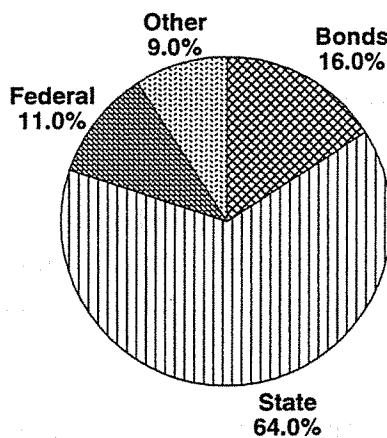


Pressure has been put on the property taxpayer to help shoulder the burden of State revenue cuts. As the graph on Page 2-5 indicated, tax shifting has occurred since 1986, whereby property tax revenue has increased \$36.9 million in direct response to State budget cuts of \$33.7 million to Municipal Assistance/Revenue Sharing.

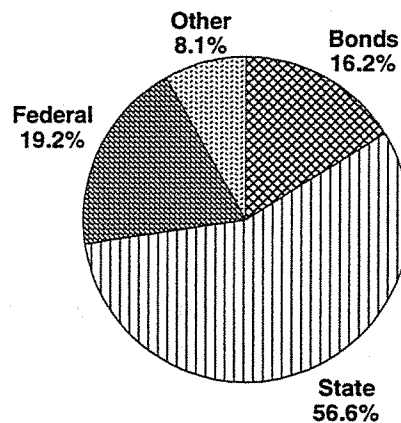
Over the last several years there has been a dramatic decrease in the amount of discretionary capital funding that the State has granted to Alaskan cities. As a result, there has been a change in our capital funding approach. Consequently, the Municipality's capital budget relies more heavily on voter-approved bonds, rather than State grant funds. The following pie charts demonstrate the trend toward increased local funding of capital projects:

Capital Funding Requested Funding Sources as % of Total 1993 - 1996 *

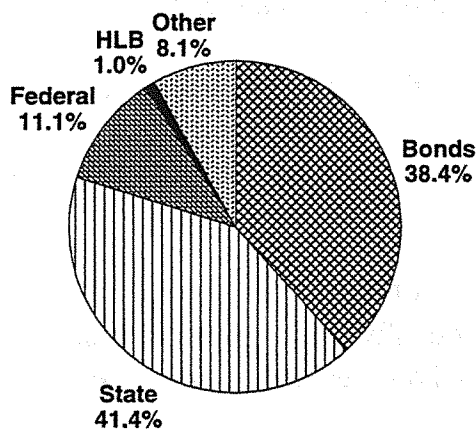
1993



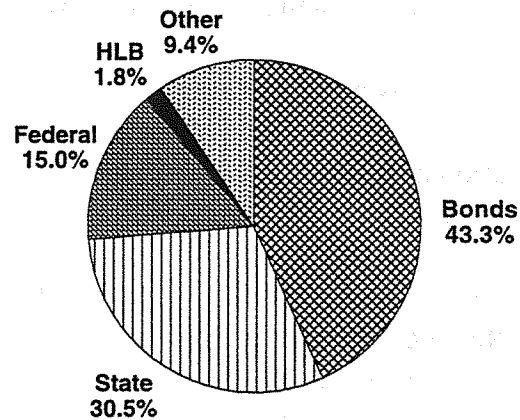
1994



1995



1996



* 1993 - 1995 Revised Budgets; 1996 Proposed Budget.

Police Services

The Municipality currently receives a federal grant which helps pay the cost of some of our new police officers. Within the next 3 years, however, the full cost of these officers will have to be borne by the city of Anchorage. Additionally, if the current trend of decreasing State Revenue Sharing and Municipal Assistance continues at the same rate, the Police Department could lose nearly \$850,000 per year of allocated State Revenue Sharing/Municipal Assistance revenues. These lost revenues, combined with a decreasing fund balance, could result in a reduction of nearly \$1.9 million dollars per year in Police funding. If this shortfall occurs, then other sources of funding or cost reductions will be needed in order to continue providing for a safe city.

Tax Cap Limit

The tax limitation was established by Charter amendment through the initiative process in October of 1983.

The tax limit is set each year based on the amount of taxes levied in the prior year adjusted for debt service, changes in prices (Consumer Price Index for Anchorage), and changes in population (5-year average population, using certified data from the Alaska Department of Community and Regional Affairs).

The Charter allows certain exclusions as part of determining the total allowable level of taxes. Specific examples of exclusions are new construction and property improvements, taxes required to pay judgments against the Municipality, debt service on bonds, and items specifically approved by the voters as outside the tax cap (e.g., voter approved operation and maintenance [O&M] costs for bond-funded capital projects).

Factors such as population growth, new construction, inflation, additional debt service, and voter-approved O&M costs are all expected to be significant components in the calculation of future tax caps. Assumptions regarding the possible effect of these factors are as follows:

- Population levels will be relatively flat over the next six years.
- New construction, which as been exceptionally strong over the past 2-3 years, is expected to continue to experience growth; however, the amount of new construction will likely be less than the 1993 level.
- Inflation is expected to remain relatively low.
- Debt service associated with capital projects is expected to increase if State capital funding to local governments continues to decline.

Debt Service and O&M Costs

The proposed 1996-2001 General Government Capital Improvement Program (CIP) includes a variety of projects that will help to improve and maintain the city's infrastructure. Most of the capital projects programmed for funding are dependent on future voter approval of bonds and/or future State grants from legislators.

The following table shows the approximate impact on property taxpayers if all projects in the Proposed 1996-2001 CIP were funded. Note, however, that historically the Municipality has received funding for only one-third to one-half of the total projects proposed. O&M costs related to the Anchorage Sports Center are being developed; therefore such costs are not included in the figures shown below.

1996 - 2001 General Government Capital Improvement Program	By Year 2001		
	Estimated Dollar Impact	Average Mill Rate Impact	Cost Per \$100,000 Valuation
Total projected net increase in annual Debt Service costs	\$13,057,905	1.27 mills	\$127
Total projected net increase in annual Operation and Maintenance costs	\$373,600	.04 mills	\$4

Debt service and voter approved O&M costs are outside of the tax cap, so there is no legal limitation on the source of tax funds to support the construction and maintenance of these new or improved facilities. Each individual bond proposal brought before the voters must be evaluated carefully as to whether additional taxes are needed to fund future operation and maintenance of bond-funded Municipal facilities.

Anchorage School District

Although this report addresses mainly general government concerns, it is important to remember that the Anchorage School District has a significant impact on Anchorage property taxes as well. For instance, tax-supported debt service and O&M costs are still to be realized pending the sale of \$111 million of the \$174.9 million in authorized school bonds and pending the opening of the newly constructed schools. Tax support required for the currently unrealized portion of annual debt service and O&M costs are estimated at \$4.5 million and \$6.6 million, respectively. The School District expects to apply fund balance to partially offset the full tax impact of the annual debt service cost.

5. FUTURE FISCAL STRATEGIES

The following fiscal strategies related to expenditure reductions and new revenues are presented for discussion purposes. They are not necessarily intended as recommendations.

Expenditure Options

The following is a list of potential ways to reduce Municipal expenditures:

- **Labor Policy** — Continue to bring Municipal compensation (wages and benefits) in line with the private sector and deliver public services in a more productive and cost effective manner. Since wages and benefits comprise 57% of the operating budget, labor costs have a significant impact on the ability to provide an acceptable level of public services.
- **Efficiency Measures / Consolidation** — Provide government services using fewer resources through improved work methods and scheduling. Eliminate duplication of efforts between State and local government.
- **Increased Automation** — Provide more complete and timely information through the prudent use of automated tools and equipment. By automating manual processes and providing better access to information, decision making will be enhanced and worker productivity will increase.
- **Privatization** — Contract for those services that can be delivered more efficiently and effectively by the private sector. Possible areas include privatizing to smooth seasonal and cyclical costs, construction project management and similar activities. Contract out to nonprofits when those organizations can be more cost effective.
- **Reduced “Red Tape”** — Change cumbersome, inefficient policies, ordinances and regulations that do not provide enough benefit to be cost effective.

- **Increased Use of Volunteers** — Continue to facilitate cooperative efforts between private citizen volunteer groups and local government in order to minimize costs of providing government services.
- **Capital Funding** — Reduce operations and maintenance costs of roads and facilities by maximizing available sources of capital funding, such as ISTEA funds and General Obligation bonds.
- **Contain Budget Increases** — Discourage future discretionary increases to the operating budget unless matched with an offsetting reduction of a lower priority program or service.

Revenue Options

The following is a list of potential new revenues:

- **New or Increased User Fees** — Consider new or increased user fees that are justified by the cost causer/cost payer principle.
- **New or Increased Taxes** — Consider new or increased taxes that would generate significant new revenues and reduce the burden on the local property taxpayer.
- **Utility Contributions** — Utilities, both public and private, receive government services and therefore should help to support the operation of general government in Anchorage. Private utilities vary in the type and size of their contributions with some paying property taxes, some paying franchise fees, and some paying co-op fees. Municipal utilities also help to support general government operations. Most of our municipal utilities make payments in lieu of property taxes. All pay Intragovernmental charges and some pay dividends.

Municipally-owned utilities should provide its owners (i.e., the taxpayer) with an appropriate rate of return, guided by industry standards and limited to each individual utility's ability to pay.

Further analysis appears to be warranted as to the type and amount of contributions made by all utilities, both private and public, so that payments made by utilities for government services received by them are fair and equitable.

- **Equitable Sharing of Police Service Costs** — A primary goal of the Administration is to make Anchorage a safer city. In order to provide better police coverage, new

and replacement officers are being hired and trained. Police services protect not only those who live in the Police Service Area, but also protect all people who work, shop, and attend sporting or cultural events in the city. A safe city program provides police services such as a crime lab, prosecution, drug enforcement, police records management, Crisis Intervention Response Team, Crime Stopper program, serving of warrants, and police training programs. Police support services not only help punish offenders but also deter them and others from committing crimes within the city. As a result of effective patrol service and police support services, all residents in the Municipality enjoy a safer city. In funding the cost of a safe city, however, not all taxpayers contribute an equitable share of the costs. This is an issue that will need to be addressed in the near future.

- **Sale of the Anchorage Telephone Utility (ATU)** — The Administration supports placing the issue of whether to sell ATU on the April 1996 ballot. The voters of Anchorage must decide whether to retain ATU as a Municipally-owned utility or to sell the Utility. They must determine whether they want to retain the higher risk investment in a telephone company or to convert their investment to a lower risk interest bearing Trust Fund, the principal of which cannot be spent without voter approval.

Economic Development

If the Municipality of Anchorage is to continue to provide an adequate level of government services to its residents and Anchorage is to maintain a strong, stable, diversified economy, we must work toward actively encouraging economic development projects. We have already made good progress toward making Anchorage a better place to live. The more attractive we can make our city, the more new businesses and visitors will realize what a great place Anchorage is to live, work and visit.

In the coming years the Administration expects economic development will occur in a number of key areas such as:

- Anchorage International Airport (e.g., global distribution center)
- Port of Anchorage
- Ship Creek Re-Development
- Girdwood Community
- New commercial and residential development throughout the city
- ISTEA and Community Development Block Grant (CDBG) projects
- Municipal Light & Power Economic Incentive Rate
- New Fisheries Infrastructure Task Force

5. FUTURE FISCAL STRATEGIES

The following fiscal strategies related to expenditure reductions and new revenues are presented for discussion purposes. They are not necessarily intended as recommendations.

Expenditure Options

The following is a list of potential ways to reduce Municipal expenditures:

- **Labor Policy** — Continue to bring Municipal compensation (wages and benefits) in line with the private sector and deliver public services in a more productive and cost effective manner. Since wages and benefits comprise 57% of the operating budget, labor costs have a significant impact on the ability to provide an acceptable level of public services.
- **Efficiency Measures / Consolidation** — Provide government services using fewer resources through improved work methods and scheduling. Eliminate duplication of efforts between State and local government.
- **Increased Automation** — Provide more complete and timely information through the prudent use of automated tools and equipment. By automating manual processes and providing better access to information, decision making will be enhanced and worker productivity will increase.
- **Privatization** — Contract for those services that can be delivered more efficiently and effectively by the private sector. Possible areas include privatizing to smooth seasonal and cyclical costs, construction project management and similar activities. Contract out to nonprofits when those organizations can be more cost effective.
- **Reduced “Red Tape”** — Change cumbersome, inefficient policies, ordinances and regulations that do not provide enough benefit to be cost effective.

- **Increased Use of Volunteers** — Continue to facilitate cooperative efforts between private citizen volunteer groups and local government in order to minimize costs of providing government services.
- **Capital Funding** — Reduce operations and maintenance costs of roads and facilities by maximizing available sources of capital funding, such as ISTEA funds and General Obligation bonds.
- **Contain Budget Increases** — Discourage future discretionary increases to the operating budget unless matched with an offsetting reduction of a lower priority program or service.

Revenue Options

The following is a list of potential new revenues:

- **New or Increased User Fees** — Consider new or increased user fees that are justified by the cost causer/cost payer principle.
- **New or Increased Taxes** — Consider new or increased taxes that would generate significant new revenues and reduce the burden on the local property taxpayer.
- **Utility Contributions** — Utilities, both public and private, receive government services and therefore should help to support the operation of general government in Anchorage. Private utilities vary in the type and size of their contributions with some paying property taxes, some paying franchise fees, and some paying co-op fees. Municipal utilities also help to support general government operations. Most of our municipal utilities make payments in lieu of property taxes. All pay Intragovernmental charges and some pay dividends.

Municipally-owned utilities should provide its owners (i.e., the taxpayer) with an appropriate rate of return, guided by industry standards and limited to each individual utility's ability to pay.

Further analysis appears to be warranted as to the type and amount of contributions made by all utilities, both private and public, so that payments made by utilities for government services received by them are fair and equitable.

- **Equitable Sharing of Police Service Costs** — A primary goal of the Administration is to make Anchorage a safer city. In order to provide better police coverage, new

6. CONCLUSION

There are many opportunities to make Anchorage a safer and more livable city and a better place to live, work, and raise our families. While making our city safer continues to be our primary focus, we also intend to continue making Anchorage clean and attractive. We will also strive to emphasize quality recreational and cultural opportunities for our residents.

The enhancement of our city's quality of life does not come without a cost. At the same time we are faced with increases in the costs of doing business including labor costs. On the revenue side, our State revenues have continued to decline and the federal grant that is helping to pay for part of our increased police protection is for only three years — after that, we must pay for the total costs if that increased protection is to continue.

Many of the impacts on our city's cost of doing business would be outside of the tax cap. Examples are debt service and operations and maintenance costs approved by the voters and inflationary cost increases. But we need to ask ourselves if increasing property taxes is the right solution. Anchorage property owners are bearing an increasingly disproportionate burden of the costs of delivering our city's services. In addition to increasing property taxes, there are three other alternatives — decreasing expenditures, increasing revenues other than property taxes, or a combination of the two. This Six-Year Fiscal Program has presented some of these alternatives for future consideration. Presentation of this document by the Administration and approval by the Assembly does not constitute approval of any of these alternatives but simply accepts this document as a working tool.