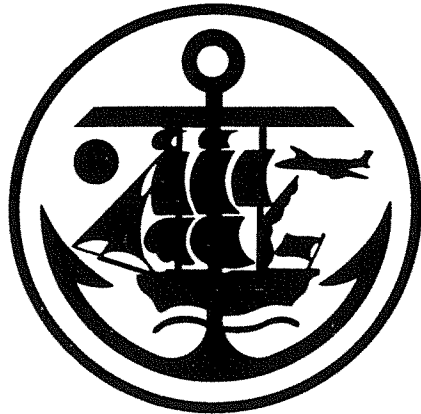


**SIX YEAR FISCAL PROGRAM
2001 - 2006**



Municipality of Anchorage

**George Wuerch
Mayor**

2001 - 2006
SIX YEAR FISCAL PROGRAM
MUNICIPALITY OF ANCHORAGE

George Wuerch, Mayor

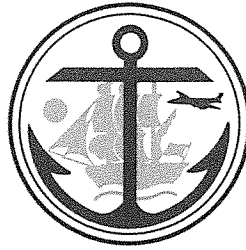
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George P. Wuerch, Mayor

OFFICE OF THE MAYOR

September 28, 2000

Dear Residents of Anchorage:

I am pleased to present the Six Year Fiscal Program for years 2001-2006. This report represents a look at what might be in store for Anchorage during the next six years. In order to focus on the future, the report also reviews past and present issues and events, the Administration's goals and objectives, and other significant factors that may influence the future of our city.

The future of Anchorage continues to look bright. The economy continues to remain healthy, moving from a predominant reliance on one industry to a diversified base, which takes advantage of Alaska's natural resources as well as our strategic global position.

But the future is not without its challenges. Providing the necessary infrastructure for future growth, keeping our streets safe, and meeting the cultural and recreational demands of our residents while maintaining a fiscally responsible Municipal government is a formidable task facing the Administration, the Assembly and the citizens of Anchorage.

The Six Year Fiscal Program contains long-term financial projections and broadly discusses several main options for the Administration, the Assembly, and the Public to consider regarding future fiscal policy decisions — i.e., economic development opportunities, reduced expenditures, new revenue sources or any combination of these options.

I encourage you to familiarize yourself with these issues and to provide us with your comments.

Sincerely,

A handwritten signature in black ink, appearing to read "George Wuerch", with a long, sweeping underline that extends to the right.

George Wuerch
Mayor

PREFACE

Enclosed is the 2001-2006 fiscal program for the Municipality of Anchorage. This year's budget is unique because it is the first time in the history of the Municipality that the total property taxes collected to operate government actually were lower than those collected the preceding year.

The use of \$20 million from reserve funds to help pay for general government this year is the reason why the total amount of property taxes collected are less than last year's.

This year's tax roll-back also means the amount of property taxes that can be collected by the Municipality in succeeding years will be lower. This is because each year's tax cap is based on the amount of taxes collected the previous year. Lower taxes in the year 2000 means there will be lower taxes collected next year and in succeeding years.

Further complicating the picture is the pending voter initiative, Proposition 4, on the November state ballot. It proposes a 10-mill cap on local government property taxes. If approved by voters, the additional reduction in property taxes would result in requiring a significant level of additional cuts in City spending.

To address the situation, Mayor George Wuerch has directed his administrative staff to prepare two alternative budgets for 2001. The first, or "A" budget, proposes spending be reduced by nearly \$10 million as compared to the current year's spending. When compared to what it would cost to continue the level of services that citizens currently receive, the proposed budget cuts spending by nearly \$19 million. The second, or "B" budget identifies \$53 million in reductions that would be required under a 10-mill tax cap, should the tax cap initiative receive voter approval on November 7, 2000.

In accordance with the Municipal 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."

The purpose of this six-year fiscal program is to provide policy options related to the services the public expects at a cost consistent with what the public is willing to pay. The vote on the 10-mill property tax initiative is expected to provide a good indication of what the public is willing to pay in property taxes.

The six-year fiscal program discussed in this document is intended to encourage a balanced approach toward dealing with changing fiscal conditions. Achieving that balance starts with being mindful of and actively working toward keeping the cost of local government under control. In addition to cost containment, other fiscal strategies include encouraging economic development expenditure reductions and/or revenue enhancements. Strategic policy decisions by Municipal government help determine what that mix should be.

If the reader desires more demographic and financial information about Anchorage, there are a number of alternative sources available at Municipal libraries and on the Municipal website at <http://www.muni.org>.

Presentation of this document by the Administration and approval by the Assembly does not constitute approval of any of the policy issues discussed herein, but simply acceptance of this document as a working tool.

2001 - 2006
SIX YEAR FISCAL PROGRAM
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1. EXECUTIVE SUMMARY

The 2001-2006 Fiscal Program provides a six year fiscal profile which includes discussion of key initiatives of this Administration, economic trends and outlook, public services and capital project funding, long-term fiscal projections and fiscal policy options. The Six Year Fiscal Program is designed to generate public discussion so we can adequately plan for changing fiscal conditions and maintain a stable fiscal environment.

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. Options for responding to future fiscal requirements include economic development opportunities, expenditure reductions, new revenue sources or any combination of these options.

Issues to consider include:

Cost Reductions/Fiscal Efficiency — A priority for this administration is lessening the burden on property taxpayers and assuring that every dollar spent by the Municipality is achieving its maximum value. In order assist with this goal, the input of the community is actively being sought. Cost saving suggestions may be submitted by phone, mail, or through the Municipal website at <http://www.tax-savers.org/newindex.html>.

Although Anchorage taxes are among the lowest in the nation, we must strive to be even more efficient with the resources available to us. Local government must continue to offer its services to the public as efficiently as possible and learn to do more with less.

Public Safety — Within our budget constraints, public safety must continue to be one of our highest priorities. A goal of this Administration is to provide Anchorage residents with one of the safest and most livable cities in America. In order to achieve this goal, we must continue our focus on new and established public safety initiatives and their funding requirements. The crime rate in Anchorage has been on the decline in the past several years. We are committed to seeing this trend continue.

After a recent series of fatal auto accidents involving repeat DUI offenders, the Mayor formed a task force of representatives of state and local public safety officials, legislators,

social service agencies, alcoholic beverage industry, and concerned citizens to propose ways to combat this problem. The DUI Prevention Task Force is scheduled to present their recommendations by October 2000.

A recently completed audit of the fire department made recommendations on ways to improve fire suppression and emergency medical services to the citizens of Anchorage. We intend to implement the recommendations as expeditiously as possible.

Construction of a new jail and inebriate drop off center for Anchorage is well under way. When complete, the facility will allow our public safety and health officials the tools to more effectively and efficiently deal with some of our social and criminal problems.

Quality of Life — Anchorage and Alaska abound with unique cultural and recreational activities and opportunities. We will focus on maintaining our existing Municipal facilities and encourage non-tax supported development of other venues within the area such as the planned expansion of the Anchorage Museum of History and Art thanks to a generous grant from the Rasmuson Foundation.

Economic Growth and Opportunities — The outlook for Anchorage's economy is one of stable growth. Low unemployment, interest rates and inflation both locally and nationally have given confidence to consumers and businesses and have fueled the job increases and new construction.

Major driving forces in Anchorage's future economic growth include: Anchorage-based international freight and logistics operations, tourism industry, oil and gas industry, seafood industry, and our universities. As these sectors grow in the future so will the level of growth in new construction, both residential and commercial. Currently, we are investigating ways of streamlining our permit system through the use of electronic media.

Other Fiscal Concerns — One of the financial challenges facing the Municipality is how to achieve our goals despite the declines in financial support from the State. Safe Communities Funding (which replaced the former Municipal Assistance program in 1997) and State Revenue Sharing have decreased steadily since the mid-1980's. These decreases have had a direct and significant impact on the amount of property taxes required to fund the general government operating budget and have, in effect, caused a significant *tax shifting* from the State government to local government. Unfunded State and Federal mandates have also resulted in an increase in property taxes.

Fiscal Projections — The six year fiscal projections are contained in Chapter 5. The projected fiscal surplus/shortfall shown on Page 5-2 reflects the following three broad assumptions: (1) very modest growth in revenues, (2) negligible growth in expenditures,

and (3) priority public services maintained at year 2001 base level through the six year projection period. A number of additional fiscal impacts which could lead to more significant budgetary shortfalls are also analyzed in this chapter of the Six Year Fiscal Program.

It is important to keep in mind that circumstances may arise which can change the assumptions and thus the projected fiscal outlook. For example, if Proposition 4, the Tax Cap Initiative passes it will become more of a challenge to provide our residents with a safe city without requiring a significant increase in local revenues and alternative taxes or a significant reduction in other important services, or both.

2. BACKGROUND

This section of the Fiscal Program provides a summary of the major issues which have recently influenced the Municipality's fiscal condition or are areas associated with local government's mission. Areas covered in this subsection include the following:

Fiscal Efficiency

Public Safety

Economic Development

Livable City

Public/Private Partnership

Fiscal Stability

New Construction and Enhanced Infrastructure

Improved Government Processes

Budgets

Budget Trends

Fiscal Efficiency

When he campaigned for office, Mayor George Wuerch pledged to reduce the cost of government without reducing services to the citizens of Anchorage. Since taking office in July, 2000, this Administration has spent considerable time and effort in "thinking outside the box" to come up with innovative ways to improve governmental efficiency and decrease costs.

A department reorganization was approved, which, through a team concept, provides for the ability to make more global decisions by involving multi-departmental teams. The departments have been organized into four teams: Administration, Public Safety, Operations, and Enterprise Activities. In addition, some departmental functions were merged to take advantage of the efficiencies of consolidation of administrative activities.

As mentioned previously, the administration is actively soliciting suggestions on ways of streamlining bureaucracy without reducing service level. Municipal employees and the citizens of Anchorage are asked to submit suggestions by telephone, fax or mail and electronically.

Public Safety

This administration, with the support of the Municipal Assembly, continues the focus on improving public safety for our citizens within the budget constraints currently faced.

Community police patrols have been implemented and the number of officers per thousand residents is at an all time high. The effect of these and other changes in the way the Police Department does business has resulted in a continued decline in the crime rate.

Earlier this year an audit of the Fire Department was completed. The final report contained 112 recommendations, most of which are in the process of implementation. When fully implemented, fire suppression capabilities will be significantly improved, but perhaps more importantly, the Fire Department will have a strong focus on fire prevention.

Also earlier this year, the Office of Emergency Management moved into a new Emergency Operations Center. The new center gives the Municipality the ability to deal more effectively with any disasters that may arise in the future.

Economic Development

Anchorage's unique geographic location, diversified business community, transportation infrastructure and access to natural resources make our City a center of business opportunity for global trade and tourism and for business within Alaska. Over the past several years Anchorage's economy has grown and diversified significantly, thereby providing a more stable tax base and contributing to a positive economic outlook. We intend to continue to pursue opportunities that will expand and diversify the Anchorage economy consistent with maintaining our quality of life.

The Oil and Gas industry. This industry will continue to play a major, positive role in Anchorage's growing economy even with volatility in oil prices and industry consolidation. However, as the economy continues to diversify, the impact of the oil and gas industry on the economy will likewise continue to decline.

BP's acquisition of ARCO and the subsequent sale of ARCO Alaska, Inc. to Phillips Petroleum occurred in the past year with only a minimum disruption on the energy industry workforce. BP Alaska announced it would spend \$5 billion in Alaska project investment over the next 5 years. Nonetheless, oil employment by BP/ARCO in 2001 will be less than half the level in 1990.

With the price of oil at a ten-year high, there is renewed interest in development of marginal fields. Likewise, the price of natural gas is also high; creating heightened interest in a gas pipeline and in additional exploration in the Cook Inlet area.

Ted Stevens Anchorage International Airport (AIA). The Airport's 10-year, "Gateway Alaska" plan calls for improvements and expansion of airport facilities to support airport operations and access into the airport area. The entire Gateway Alaska program will cost approximately \$350 million over 10 years. Terminal and Airside/Landside improvements totaling \$191 million make up the Terminal Redevelopment Project. Highway improvements include changes to the primary access route to the airport to meet current and projected traffic demands. An interchange at International Airport Road and Minnesota Drive, along with widening of 'C' Street to six lanes, will reduce accidents and improve traffic flow and circulation associated with projected increases.

AIA is key to economic growth in Anchorage. As the State's #1 transportation hub, AIA serves almost 5 million passengers per year provides over 6,200 jobs in Anchorage. AIA has become a vital business center and Alaska's link to the world.

Through its airport, Anchorage can make a good first impression. Anchorage is the passenger gateway to Alaska. Vacationers and business travelers' first exposure to Alaska is the AIA.

Air Cargo Industry. Air cargo traffic in Anchorage has grown tremendously since the early 1990's adding over 4000 new jobs. The transportation and access corridors play an important part in the future growth of the cargo business in Anchorage and are a prime example of how Anchorage's economy has diversified. AIA has established itself as one of the world's major air cargo airports. More than two dozen international cargo carriers have operations at AIA and the airport is ranked number one in America based on the landed-weight of all-cargo planes.

According to the Anchorage Economic Development Corporation (AEDC) the retention of cargo carriers and the expansion of multi-modal freight traffic between surface and air modes will depend on the fabrication, assembly, warehousing and order fulfillment activities that occur in Anchorage in the future.

An important transition has been taking place with the air cargo industry at AIA. A growing number of carriers are utilizing AIA to establish cargo transfer and hub operations. It started with Federal Express and United Parcel Service establishing a base in Anchorage in the early to mid-1990's. Cargo carriers Atlas Air, Polar Air and Lynden, Inc. have also established operations at the airport. Northwest Airlines has moved its freight operations into Alaska CargoPort and envisions Anchorage as a center for its international air cargo business. They intend to put together a full cargo hub here in the future.

To facilitate the development of these activities at AIA, the University of Alaska Anchorage has developed a four-year baccalaureate degree in Global Logistics Management. This program has been funded in part by a grant from the Municipality of Anchorage with matches from Federal Express; Lynden, Inc.; Totem Ocean Trailer Express; and Sea-Land Service, Inc.

Ship Creek Development. The Alaska Railroad property along Ship Creek between the Port of Anchorage and Downtown has been targeted as a prime area for development. The Railroad expects to have design standards completed and a development package available for developers interested in projects within the Ship Creek area this year. Included in this area are plans for the Alaska Fisheries Research and Support Center.

Increased Tourism and Convention Services. The national economy remains remarkably healthy and Alaska largest source of visitors, older Americans, continues to grow. In response to the demand, new hotel and visitor attractions have come forth. Over the past five years 11 new hotels have been constructed, increasing the number of hotel/motel rooms by 25%. The \$14.8 million Alaska Native Heritage Center, which opened in 1999, has already proven itself as a significant tourist attraction.

Work continues on promoting Anchorage as an all-season tourist and convention destination. In addition, Anchorage will host the Special Olympics World Winter Games in 2001. Construction is underway on improvements to the venues for the Special Olympics events, funded primarily through private and federal grants. The Special Olympics will bring approximately 6,000 athletes, coaches, delegates and dignitaries during the winter months for ten days with an estimated \$17 million of related spending injected into the local economy.

There is heightened interest in the development of a new convention center for Anchorage. A study has been commissioned to perform a needs assessment and identify potential sites for a new center.

Building Industry. In recent years construction has become one of Anchorage's strongest and most stable industries. Although the level of activity in 2000 was below the record

setting pace of 1998, construction activity remained strong. Year 2000 is on track to be another outstanding year. In order to streamline the Municipal permitting system, a new one-stop permit and development center was completed and placed in service in early 2000. A current year project enables construction permit fees to be paid by credit card — and the permit can then be printed from the applicant's own computer. The building industry (and ultimately the consumer) will benefit from the shortened turnaround times, greater efficiencies, reduced costs, and enhanced public interface that come with this building.

Promoting Anchorage as a Great Place to Live and Do Business. Low taxes, a streamlined one-stop building permit system, low utility rates, a functional/attractive roads system, modern utility plant, enhanced recreational opportunities, enhanced facilities of our universities are all positive characteristics which make Anchorage a more livable and attractive city.

The Administration will continue to work closely with the Anchorage Economic Development Corporation (AEDC) in encouraging new business development in our City and with Anchorage Convention and Visitors Bureau (ACVB) to attract convention business and tourists.

Neighborhood Revitalization. Lower income areas of Anchorage have been identified as potential recipients of Community Development Block Grant (CDBG) funds to continue to revitalize our neighborhoods. CDBG funds have also been used to improve public safety and enhance the appearance of Fairview and Mountain View neighborhood streets.

Livable City

As we begin the new century, quality of life continues to be the most important economic development force of our foreseeable future. People want to live and do business in a community they can take pride in. One that is safe, clean, and offers a healthy lifestyle. Business will seek out communities that can offer their employees a good place to live and raise a family.

Anchorage has received numerous commendations over the last several years. Reader's Digest ranked Anchorage as one of the best fifty places in America to raise a family. The Water Utility received recognition for the "Best Tasting Water in the U.S." and Solid Waste Services received the system excellence award for best overall landfill operation in North America. Anchorage was also previously recognized for having one of America's best trail systems.

Public/Private Partnership

A number of programs ranging from crime prevention to cleanup/beautification to sports activities have all demonstrated how local government and private citizens and organizations can work together to make our City a better place to live. Volunteers have and will continue to play a key role in helping to improve City programs, services, and quality of life.

Examples of public/private partnerships include:

- Mountain View Recreation Center. This facility was designed, built and is operated by the Boys & Girls Club of Alaska funded partially through a contract with the Municipality of Anchorage.
- Downtown Business Improvement District. The Administration assisted in the formal creation of a Business Improvement District (BID) which enhances the viability of downtown by focusing on funding services which make downtown cleaner and safer for businesses and tourists. To achieve the goals of the BID, the Anchorage Downtown Partnership, a non-profit organization was formed to facilitate the delivery of services to downtown such as street patrol, litter cleanup, snow removal. The Municipality is pursuing a private-public partnership that will make it possible for the flower program downtown to continue — but at less cost to taxpayers.
- Chuck Albrecht Softball Complex. The first phases of these new Midtown ballfields were financed by a combination of state grants and Municipal bond funds. The completion and operation of the fields will be funded by Anchorage Sports Association through an agreement with the Administration.

Fiscal Stability

Through prudent stewardship of the City's finances, we continue to maintain a strong and stable financial position despite decreasing State revenues as evidenced by the following:

- The two leading national bond rating agencies, Standard and Poor and Moody's, have upgraded Anchorage's bond ratings from A to AA and A1 to Aa3 respectively,

based on the Municipality's stable financial outlook, strong financial performance, and excellent cash management.

- Furthermore, the most recent District of Columbia nationwide comparison of Tax Rates and Tax Burdens ranks Anchorage as having the lowest overall tax burden among the largest cities in each of the 50 states and the District of Columbia. In every category and household income measure Anchorage was cited as the city with the lowest taxes in the nation.

New Construction and Enhanced Infrastructure

Over the past several years Anchorage has experienced very strong levels of new construction, both private and public sector construction. The Municipality's cost of borrowing through general obligation bonds has been close to historic lows, with 20-year general obligation bonds sold at interest rates below 5%. Similarly, interest rates available to the private sector have greatly spurred lending for residential and commercial real estate projects of benefit to new homeowners, contractors, real estate agencies and the financial services industry. While interest rates have crept higher in the past year, they still remain relatively low.

Below is a partial listing of major construction activity which has occurred over the past five years.

Private Sector Development

- New major retail establishments (Home Depot, Office Depot, Williams Express, Tesoro, Barnes & Noble, Fred Meyer, Wal-Mart)
- New hotels (Anchorage Downtown Marriott, Holiday Inn Express, Courtyard by Marriott, Hampton Inn, Fairfield Inn, Clarion Hotel, Hawthorn Suites, Ramada Limited, Residence Inn)
- Alaska Regional and Providence Hospital expansions
- New eating and entertainment establishments (Benihana, Applebees, Orso, City Market, Act III Theatres, Century Theatres)
- New cargo facilities: Federal Express & UPS expansions, Penn Air, Alaska Air, Lynden, Williams/Lynx CargoPort
- Oil & Gas sector related facilities: Signature/AFSC jet fuel pipeline, Northstar modular construction
- Value Added: Alaska Seafood International
- New privately funded indoor skating rinks
- New and expanded auto dealer showrooms

- New commercial office building:
- Strong residential home construction
- Multi-family residential construction

Public Sector Development.

- New Jail to replace Sixth Avenue facility
- Replacement Fire Stations for Jewel Lake/Sand Lake area, Downtown, Eagle River and Girdwood
- New Permit and Development Center
- Second Rink at Dempsey Anderson Ice Arena
- South Anchorage Sports Park, Chuck Albrecht Softball Complex
- Various Road Upgrades (68th Avenue, Klatt, Lore, Denali, Baronoff/Eagle River, 100th Avenue)
- Safety/Roadway Upgrade 15th Avenue — L Street to Sitka
- Intersection Safety Improvements at Lake Otis & Tudor
- Traffic Calming Road Improvements within Fairview and Mountain View
- East Northern Lights Blvd. Rehabilitation— Lake Otis to Muldoon
- Minnesota/International Airport Road Interchange
- Recycled Asphalt Pavement (RAP) program resulting in covering 36 miles of gravel roads within the bowl area over the past three years
- Road Improvement District (RID) program to reconstruct subdivision streets
- Cook Inlet Navigation Corridor Improvement Project (Knik Arm Shoal)
- Anchorage Loop Water Transmission Main Project
- New schools (elementary and middle schools)
- University of Alaska Anchorage (UAA) Student Housing
- Anchorage International Airport Expansion
- McLaughlin Youth Center Expansion

Improved Government Processes

Municipality of Anchorage's Internet Web Site — www.ci.anchorage.ak.us. In order to make local government more accessible to the public the Municipality established an Internet Web Site three years ago. Since its inception, the site has been very popular with local citizens and other interested parties (i.e., tourists and businesses) outside of Alaska.

The website offers an effective means of promoting Anchorage as a great place to live and work as well as providing useful, easy-to-access information to citizens about local

government. Future enhancements to the Website which are currently under construction include offering on-line payment capability for select municipal services as well as more interactive programs.

Anchorage Bowl Comprehensive Plan 2020.

The Comprehensive Plan - *Anchorage 2020* is the principal focus of the Administration and will provide the foundation for the community's vision of the future including Anchorage's emergence as a premiere northern city. The Comprehensive Plan will streamline and improve public and private community development decisions for many years to come. The plan will outline the goals and objectives; assess current conditions and trends; evaluate alternative plan scenarios; and select a preferred plan scenario. Associated fiscal impacts will also be evaluated by an outside consultant. The Assembly is holding its public meetings and hearings and action on the plan is anticipated by year end 2000.

Municipal Building Permit Process. The Administration has implemented many recommendations received from developers and builders and our own consultants regarding the municipal permitting process. These recommendations have streamlined the permitting process and made it more user-friendly, timely, and responsive to the community at large. In early 2000 the new Municipal Permit Center was opened. The Permit Center offers one-stop shopping for municipal construction permits. Combined with a major initiative designed to streamline the process, the Community Development Services Department is exceeding its goal of processing 95% of single family residential building permits within 4 days.

Budgets

Tax Cap. The Administration's 2001 proposed operating budget is approximately \$19 million below the estimated level of spending required to maintain the level of services provided during 2000. This assumes, however, that no further cuts are made to the Safe Communities and Revenue Sharing programs by the Legislature in 2001.

General Government Operating Budget.

In May 2000, the Assembly approved a plan to use \$9.3 million out of Fund Balance to reduce property taxes. Combined with Fund Balance applied in the 2000 Budget and other supplementals, a total of \$20.1 million was used to reduce property taxes.

The \$20.1 million applied to property taxes has the effect of reducing the 2001 tax cap. The tax cap uses the prior year's property taxes as the basis for the current year, adjusted for inflation and new construction.

Municipal Utilities' Operating and Capital Budgets. For the seventh consecutive year, no utility rate increases are proposed for the 2001 utility (Municipal Light and Power, Anchorage Water Utility, Anchorage Wastewater Utility, Refuse Collections, Solid Waste Disposal, Merrill Field & Port of Anchorage) budgets. This stability in rates, coupled with maintaining modern utility plants, make Anchorage a highly desirable location for new businesses to locate. Our utilities continue to exhibit a strong financial condition.

General Government Capital Improvement Program (CIP). This program has undergone a transformation in recent years due to the sharp decrease in State grant funding. The Capital Program has been significantly reduced to reflect a much lower expectation relative to State and federal funding sources. Consequently, more focus has been given to local funding for the City's highest priority capital projects.

Taxpayer support of bond initiatives has been very strong over the last several years. Most recently, in the April 2000 voters approved 6 bond proposals for a total authorization of \$118 million. The majority of this money will help to build roads and schools.

Over the past five years, voters have approved 85% of the General Government and School District bonds proposed to pay for needed upgrade/enhancement and rehabilitation of highly used public facilities.

Emphasis will continue to be placed on rehabilitating and maintaining our Municipal infrastructure through an aggressive program to obtain State grant funding and through the use of bond proceeds and other local funds identified for this purpose.

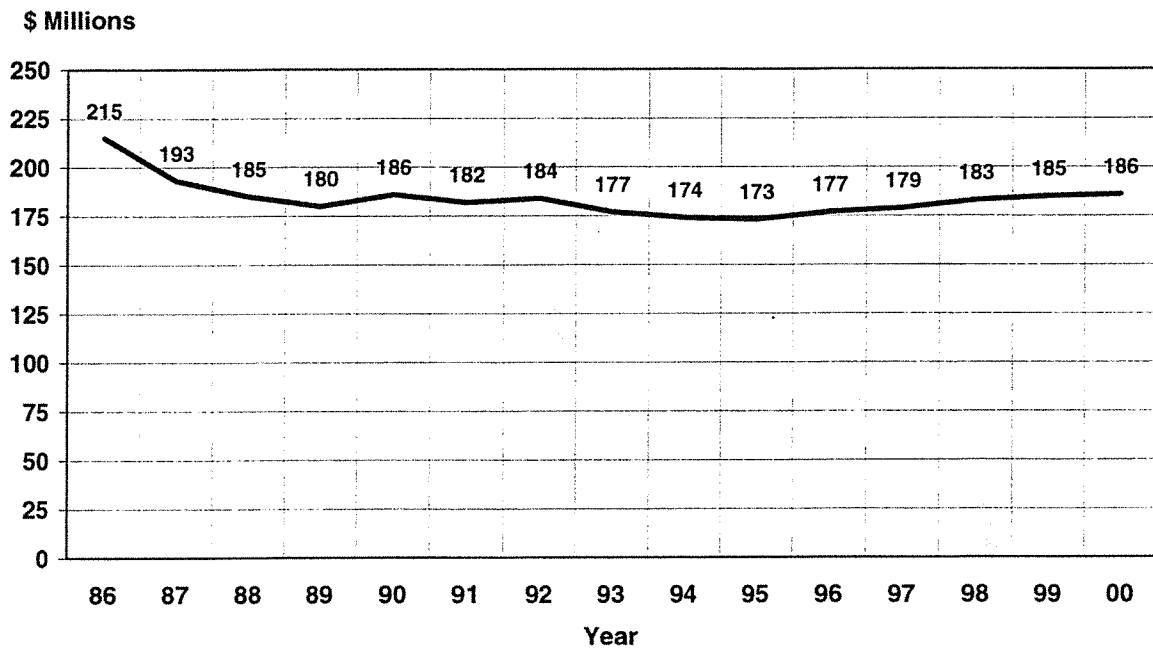
Publicly funded construction projects over the next several years will be dominated by the new jail, roads, utilities, schools, and airport expansion.

One note of caution. The proposed, statewide property tax cap initiative that will be on the November ballot does not provide for new debt service obligations to be repaid through a property tax mill levy beyond the proposed 10-mill cap. If voters approve the initiative (Proposition 4) in November, it is highly unlikely that the Municipality would be in a position to issue new bonds for any capital improvement projects.

BUDGET TRENDS

Adjusting for inflationary rates, the General Government Operating Budget has decreased by 13% since 1986 as shown in the following graph:

**General Government Operating Budgets
1986 - 2000 *
(in real dollars) ****

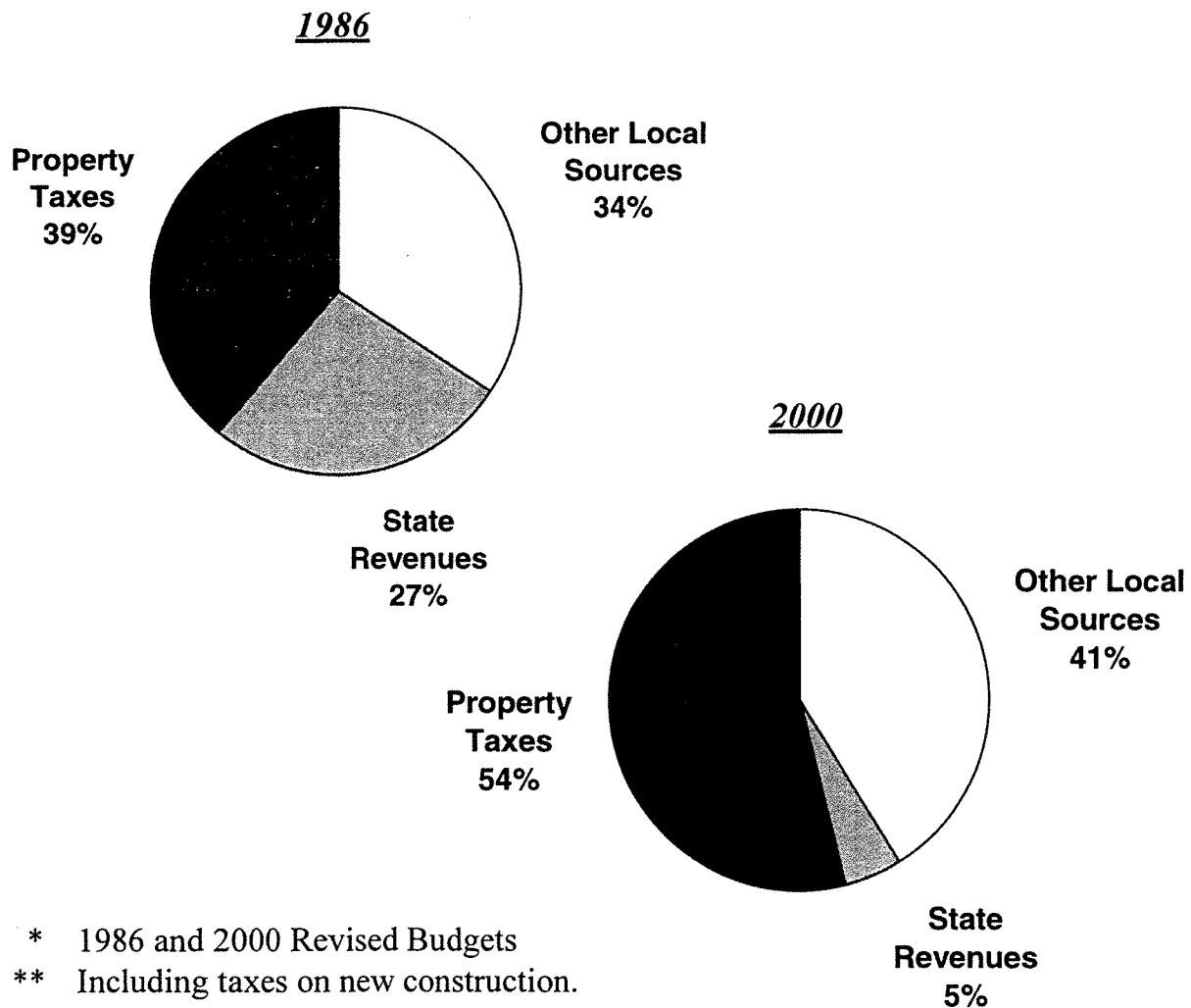


* 1986-2000 Revised Budgets

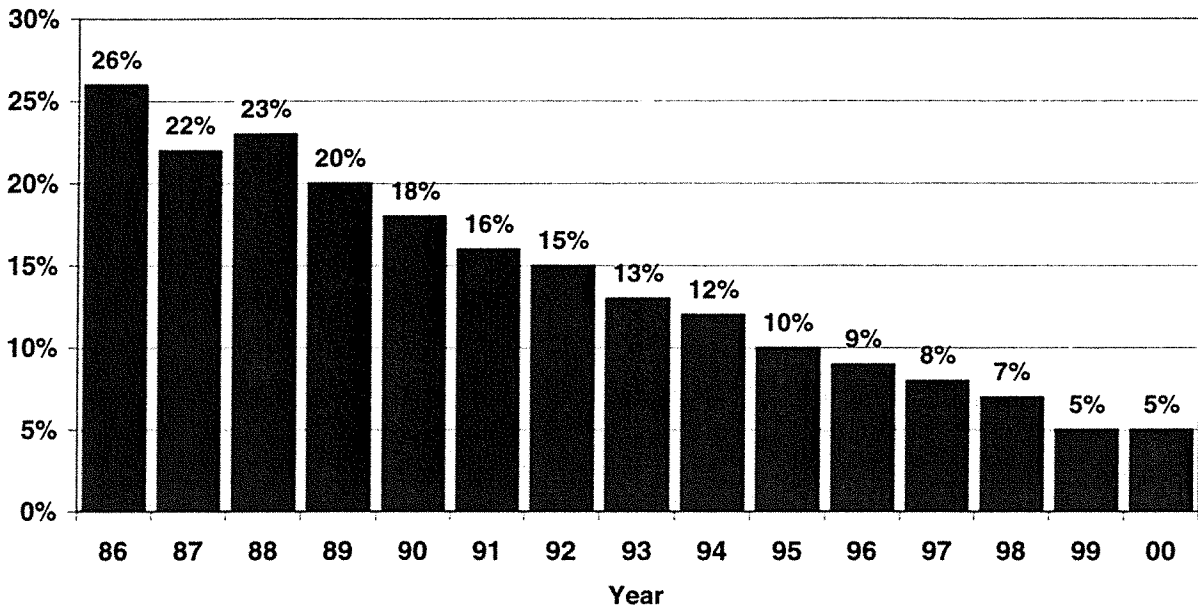
** 1986 used as base.

Adjustments have been made to the General Government Operating Budget over the last decade to absorb inflation, and accommodate for reductions in State and federal revenue sharing. State and federal mandates such as ADA requirements and underground storage tank removal, have contributed to increases in expenditures in order to meet associated requirements. A major reason for the increase in property taxes over the past many years, however, is a direct response to reductions made by the State to Safe Communities Funding (which replaced the former Municipal Assistance program in 1997) and State Revenue Sharing. The following charts illustrate the effect of the tax shifting caused by the State's revenue reductions.

**General Government Operating Budget
Revenue Sources
1986 - 2000 ***



**State Revenues as a Percentage of
General Government Operating Budget
1986 - 2000 ***



* 1986 - 2000 Actual Revenues received.
1986 - 2000 Revised Budgets.

There has been a dramatic decline since 1986 in the amount of State revenue support for local government services. As a result, the percentage of local property taxes required to fund the general government budget has increased proportionately.

Since 1986, annual Safe Communities Funding/State Revenue Sharing to the Municipality has decreased \$45 million. Consider the following facts about the impact of legislative actions on the owner of a \$180,000 Anchorage home:

- Safe Communities Funding and Revenue Sharing cuts since 1986 totaled a cumulative \$418 million in 2000. This represents a cumulative tax burden of approximately \$4,800 to the owner of a \$180,000 home.
- The unfunded amount of the senior citizen/disabled veteran tax exemption totals \$114 million over the same period. The fact that the State originally started fully funding this program and then gradually reduced that funding to \$0 has created a cumulative tax burden of more than \$1,300 on a \$180,000 home.
- \$720, or 52%, of the 2000 property tax bill for city services, assuming a \$180,000 home, is directly attributable to State reductions since 1986 in Safe Communities Funding and Revenue Sharing and the lack of State funding for the mandated senior citizen/disabled veteran tax exemptions.

3. ECONOMIC TRENDS AND OUTLOOK

2000 will be Anchorage's 12th consecutive year of economic growth. Beyond 2000 the outlook is for the economy to remain stable with modest growth of 1%-2%. The State Department of Labor projects the total non-agriculture jobs in Anchorage will increase 3,700 in year 2000, outperforming their previous estimate of 2,400 for the year. Most of the new jobs are in health services, social services, hotel & lodging places. Unemployment continues to remain low, declining to 4.4% in June, 2000. This is the lowest unemployment rate in the past decade. There were 200 more construction jobs, 200 more transportation jobs, and 400 more health services jobs in Anchorage in June 2000 than there were a year earlier.

There are, however, some recent events that may impact the rate of economic growth. Alaska Seafood International lost its major financial supporter and had to lay off 40 employees and stop production. United Airlines recently announced it was closing its Anchorage Cargo Hub, cutting 26 Anchorage ground jobs and relocating 120 pilots to other cities. At the same time, however, Northwest Airlines announced it would be investing \$18 million at the Ted Stevens International Airport and making Anchorage its global air cargo hub. The 2001 proposed "A" budget for the Municipality of Anchorage provides for a net reduction of 289 jobs. Although each instance is unrelated to the others, the cumulative effect may slow near term economic growth.

Oil prices have climbed from the \$10 per barrel price in late 1998 to a 10-year high of over \$33 per barrel in September 2000.

As the price of oil has rebounded, so has oil industry employment. Instead of a loss of about 400 jobs as was projected last year, the oil industry's total employment will have increased by approximately 100 in year 2000.

Health care, retail, finance and other services accounted for nearly two-thirds of the jobs created since 1990. While the oil industry still controls about 25% of the dollar value of the economic output, other sectors are strong and are less driven by oil prices and oil employment.

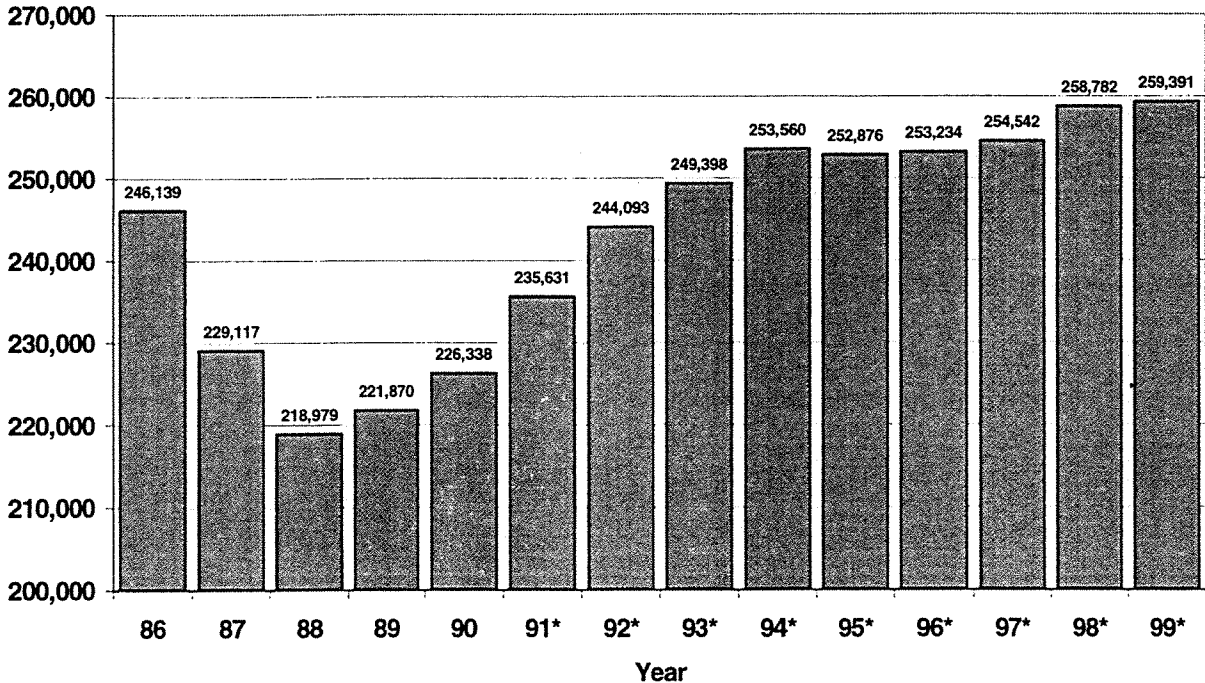
Low inflation and interest rates, together with a strong, diversified economy, helps to explain the continued high level of construction activity in Anchorage. Federal

employment levels, particularly military appear to have stabilized. Growth in air cargo and tourism continue to be cornerstones to a larger, broader, healthier economy in Anchorage.

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

POPULATION — Since 1990 Anchorage’s population has grown over 14%, significantly higher than the national average of approximately 9%. The Department of Labor projects that Anchorage’s population will grow on average just under 1% per year over the next five years. The school age population is expected to increase at a slightly higher rate over this time period while the senior citizen population is expected to exhibit the strongest upward trend.

**Anchorage Population
1986 - 1999**

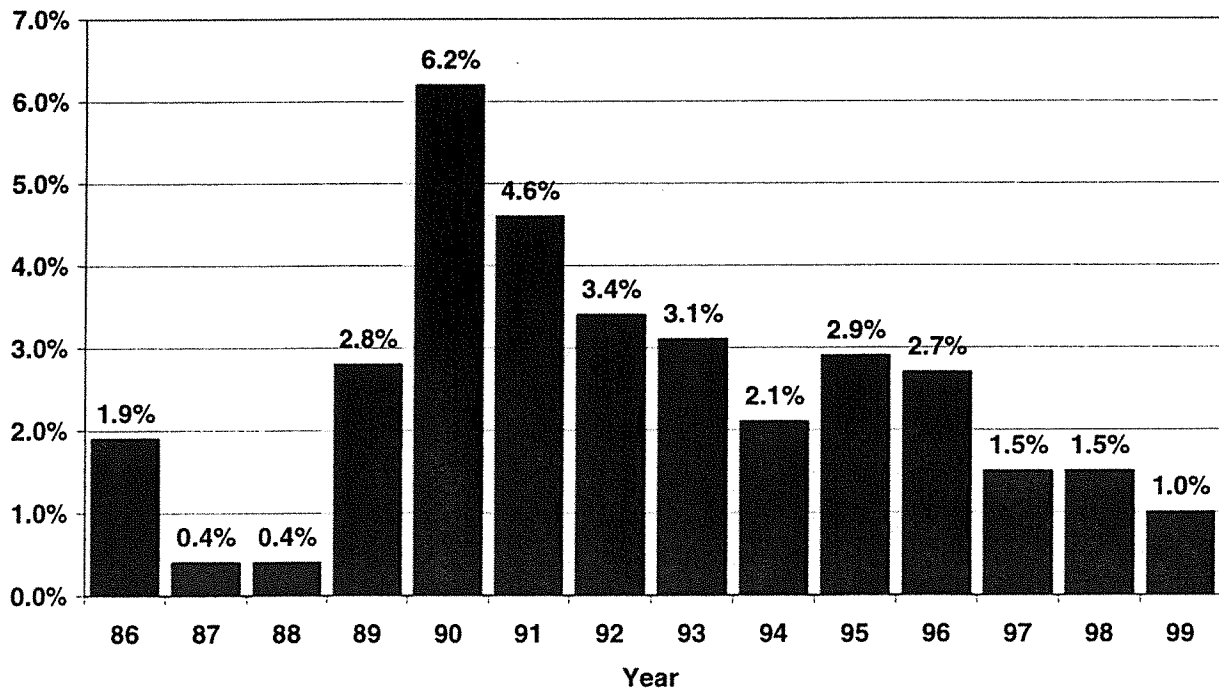


* The 1991-99 totals reflect revised estimates made by the Alaska Department of Labor (September, 1999). Estimates for 2000 will not be available until October-November 2000.

Source: U.S. Census, Alaska Department of Labor and Municipality of Anchorage, Community Planning and Development Department.

INFLATION — The Consumer Price Index for Urban Consumers (CPI-U) measures price changes (inflation) in consumer expenditures such as housing, transportation, food & beverage, medical care, apparel, recreation and other goods & services. Inflation in 1999 was 1.0%, the lowest rate of increase since 1988. Inflation for budgetary purposes is assumed by the administration to be 2.0% for 2000. The most recent Alaska Department of Revenue estimate for long-term inflation rate is 2.2%. An update to the state's projection is not expected until November of 2000. All of the major components of the CPI-U for Anchorage were below the U. S. average. The largest increase (2.0%) occurred in the medical care component.

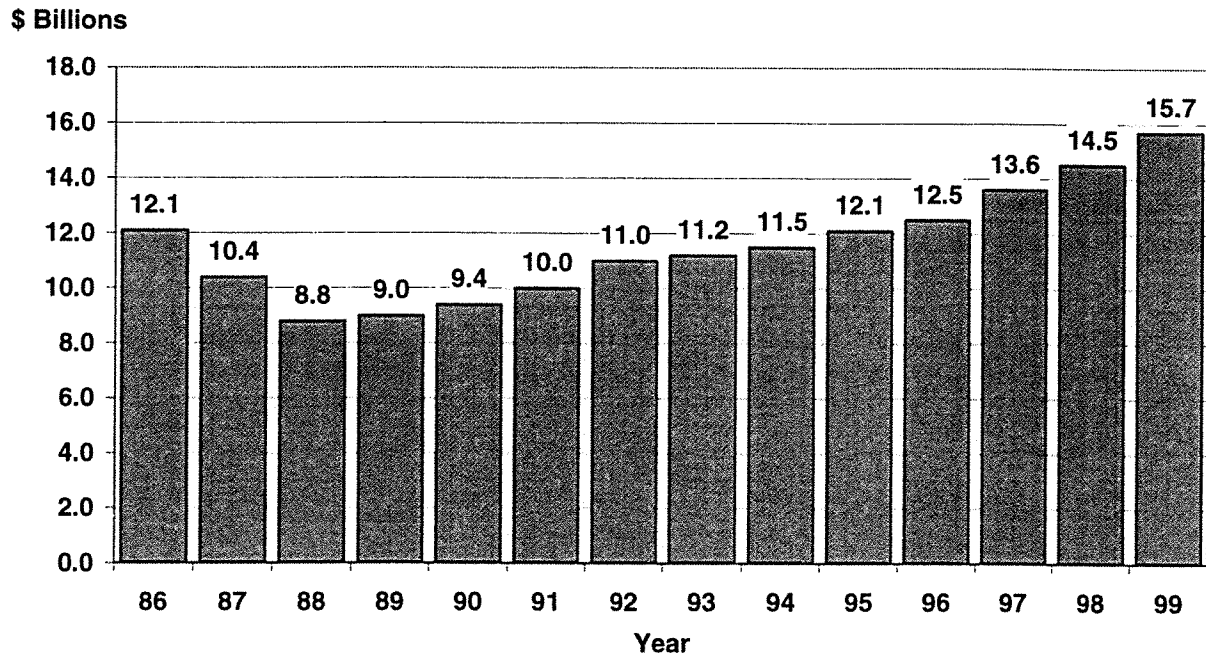
**Anchorage Consumer Price Index (CPI-U)
Annual Change for All Items
for All Urban Consumers
1986 - 1999 Historical Trend**



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

ASSESSED VALUATIONS — As shown below, assessed values have rebounded since 1990 such that they now exceed the peak levels of the mid-1980's. Due to the positive trends in new construction coupled with active market trends, assessed values are expected to moderately increase during the period 2001-2006.

**Assessed Valuation of Real and
Personal Taxable Property
1986 - 1999 Historical Trend**



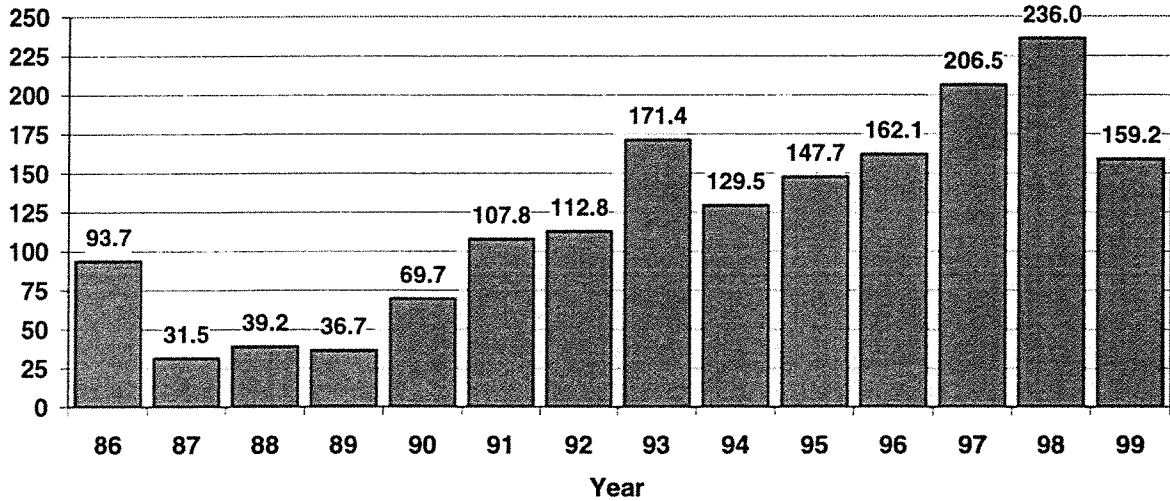
NOTE The total number of real property parcels appraised in 1999 (for the 2000 mill levies) is 89,555. Values shown above include residential property, personal property, commercial property, and Utility Net Plant (i.e., MUSA).

Source: Property Appraisal Division, MOA

NEW CONSTRUCTION — Anchorage’s construction activity peaked at slightly over the half billion dollar mark in 1998. New construction in 1999 was slightly lower, at \$456 million, but 2000 appears to again be on the upswing. Commercial construction valuation is again leading with an anticipated 33% increase over 1999. Current forecasts from the construction community are that these levels will continue at least into next year.

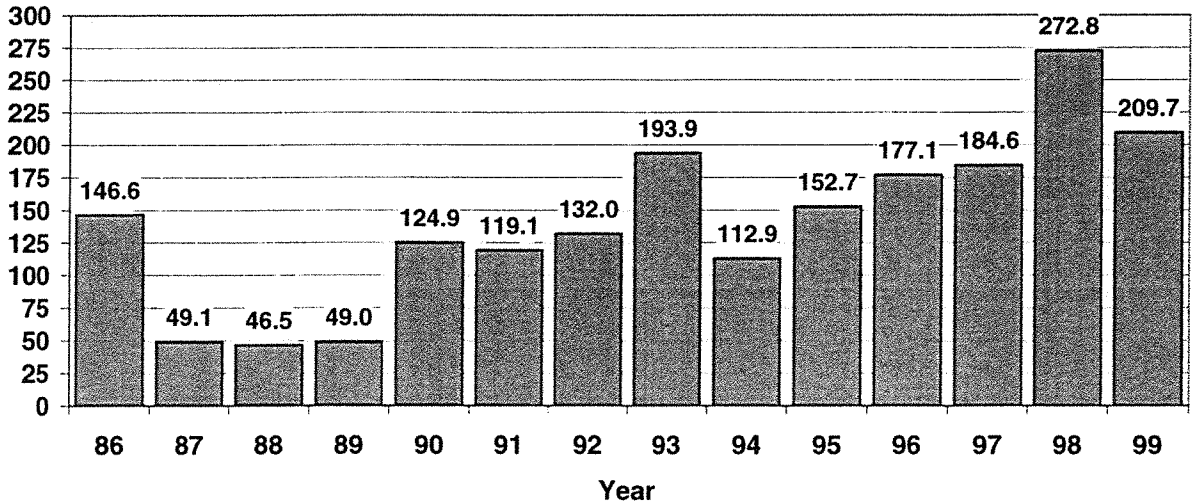
Residential Building Permit Dollar Value

\$ Millions



Commercial Building Permit Dollar Value

\$ Millions



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. These figures may not correspond with those used in the tax cap calculation for taxable new construction.

Source: Public Works Department, MOA

Major Opportunities/Concerns

Economic opportunities affecting Anchorage abound. Our primary economic development task is to assist the private sector in pursuing opportunities. We also must be aware of the concerns facing our City so we can take appropriate steps to address their impact. Below is a list of opportunities and concerns:

Current and Future Economic Activities and Opportunities

- Creation of new jobs (*technical, construction, service, and retail*)
- Continuation of commercial construction activity (*hotels, retail stores, food/beverage/entertainment establishments, health care facilities, State and Municipal facilities, local schools, roads and utility infrastructure*)
- Sustained, healthy level of residential construction activity (*new housing units, renovation of existing stock, subdivision platting and development*)
- Creation of business improvement districts
- Continued growth in tourism and convention industry
- Enhancement of all-season tourism (*Girdwood area development, Alaska Native Heritage Center, Potter Marsh Nature Center, multi-use trail system expansion, snow machine opportunities*)
- Ship Creek area development/revitalization, working with Alaska Railroad
- Development of Anchorage as a seafood center for fisheries industry statewide (*Alaska Fisheries Research and Support Center, private aquarium, Alaska Seafood International*)
- Expansion of Anchorage International Airport
- Increased use of Anchorage International Airport as a global logistics, international warehousing and cargo distribution hub
- Relocation of new industries to Anchorage (*seafood processing and distribution, software development, light manufacturing*)
- Increased activity and infrastructure expansion at the Port of Anchorage (*multi-purpose dock, Cook Inlet navigation improvements, improved road access, ferry to Pt. Mackenzie*)
- Increased allocation of Transportation Equity Act for the 21st Century (TEA-21) funds for transportation projects (*roads, trails, overpasses, bridges, beautification, air quality*)
- Use of Garvee bonds to expedite road construction
- Allocation of Community Development Block Grants (CDBG) to fund projects which improve quality of life and revitalize low income neighborhoods
- Increased development of smaller, marginal oil fields
- Transportation of natural gas from North Slope
- Development of new oil exploration within National Petroleum Reserve lands
- Rebound of the Asian economy and its effect on exports, tourism, and oil revenues

Current and Future Economic Concerns

- Tax Cap Initiative, Proposition 4
- Decline in Prudhoe Bay oil production
- Oil price volatility
- Potential escalation of interest rates and inflation
- Continuing trend in labor arbitration awards which view the Municipality as having “deep pockets”
- Continued decline in State revenues to Anchorage
- Shifting of State and Federal responsibilities to local government without adequate funding (*unfunded mandates*)
- Cumulative effect of isolated industry layoffs
- Potential decline in Federal construction funding for Alaska.

4. PUBLIC SERVICES AND CAPITAL PROJECT FUNDING

Public services and capital project funding enhance the quality of life in Anchorage by:

- responding effectively to fire, rescue and emergency medical situations
- improving our roadway public transportation systems
- making our City safer, cleaner and healthier
- balancing responsible development with rational environmental concerns
- providing cultural, recreational and educational activities and programs
- providing critical human services to people in need

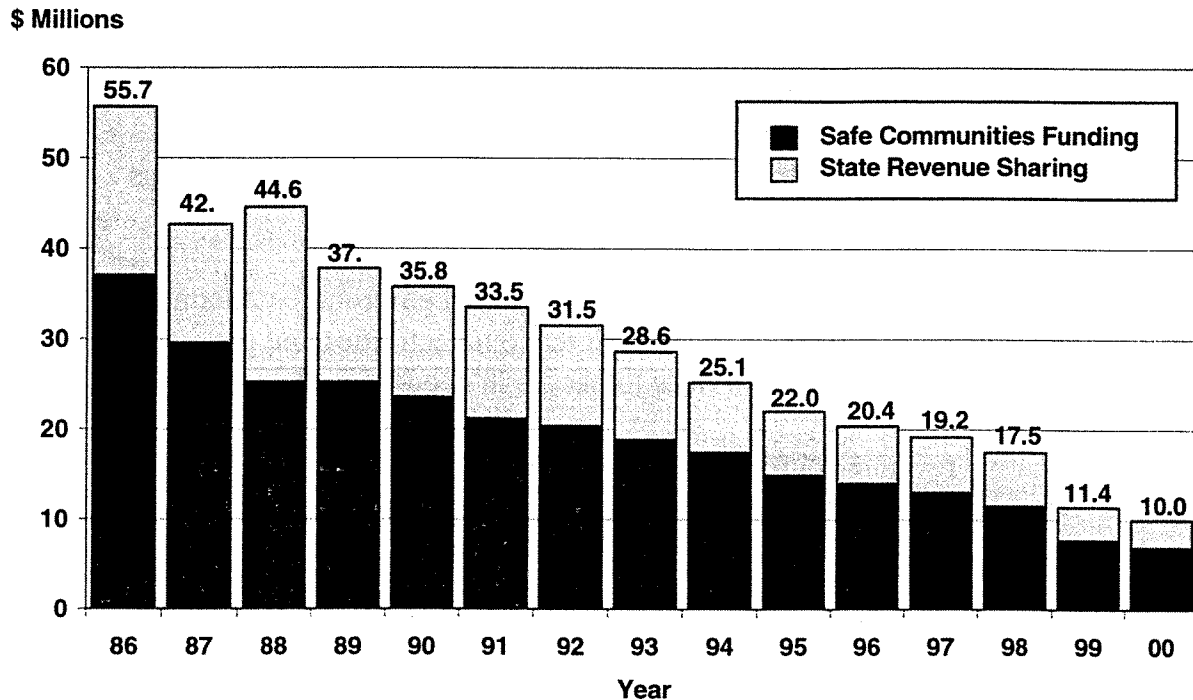
Unless alternative revenue sources occur in the future, the local property taxpayer can expect to continue to bear the majority of the tax burden in the future.

State Revenues (Operating and Capital)

Since 1986, Safe Communities Funding (which replaced the former Municipal Assistance Program in 1997) and State Revenue Sharing have decreased an average of nearly 11% per year. In 1999, alone, Municipality experienced an unexpected cut of 35%, or \$6 million, which lead to immediate budget cuts and the elimination of a proposed property tax decrease. Year 2000 saw an additional cut of \$1.4 million. We believe Alaskan cities have shouldered a disproportionate share of State revenue reductions. Local taxpayers have experienced an increase in the property tax burden in direct proportion to the cuts made by State government to Safe Communities Funding and Revenue Sharing. Should the State continue with *tax shifting* the Municipality will need to find additional ways to reduce expenditures or increase revenues through an increase in property taxes or other sources.

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

Safe Communities Funding* and State Revenue Sharing 1986 - 2000



Does not include the one-time double payment received in 1997 due to a change in the program payment date.

* In 1997, the State legislature changed the name of Municipal Assistance to "Revenue Sharing for Safe Communities."

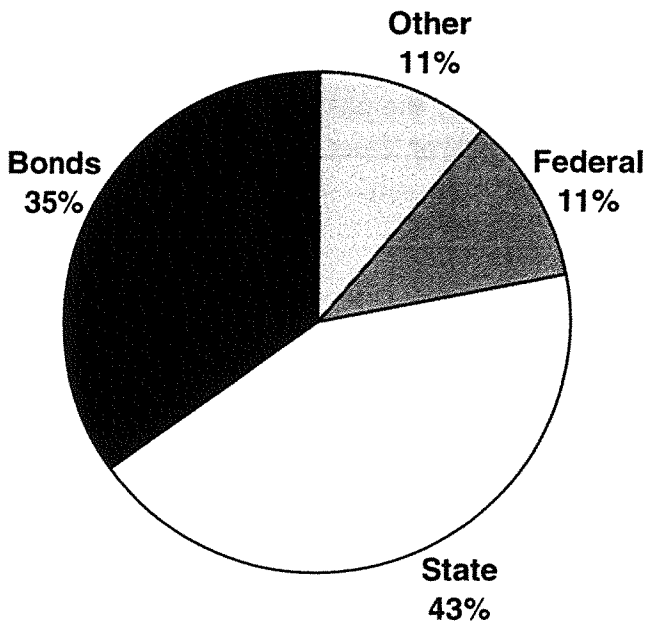
Increasingly the State has been balancing its budget on the backs of local taxpayers through reductions to the Safe Communities Funding and Revenue Sharing programs. As this graph indicates, this tax shifting has been occurring since 1986.

NOTE: The cumulative effect since 1986 of the cuts made to Safe Communities Funding/Revenue Sharing totaled \$418 million.

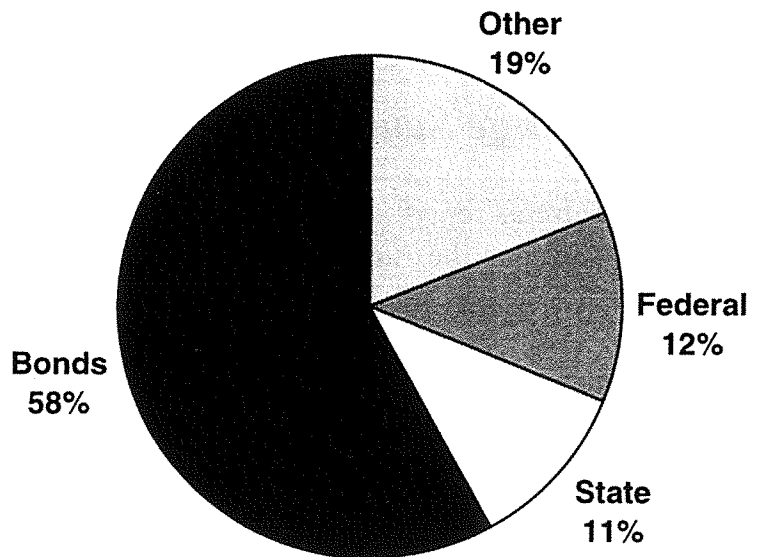
Over the last several years there has been a dramatic decrease in the amount of discretionary capital funding that the State has granted to Alaskan cities. As a result, there has been a change in our capital funding approach. The Municipality's capital budget currently focuses more on obtaining State matching grants (as opposed to discretionary grants) and relies more heavily on voter-approved bonds to provide local funds for match purposes and to help offset the reduction in State capital funding. The following charts demonstrate the trend toward increased local funding of capital projects:

**Capital Funding Requested
Funding Sources as % of Total Capital Budget
1995/2000 Comparison**

1995 Proposed Budget



2001 Proposed Budget



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, inflation, and changes in population (5-year average population).

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 fund the costs of judgments entered against the Municipality and items specifically approved by the voters as outside the tax cap such as voter approved operation and maintenance costs for bond-funded capital projects.

Factors such as population growth, new construction, inflation, and additional debt service are all expected to be significant components in the calculation of future tax caps. The administration and the assembly have worked hard over the past 6 years to ensure that the annual operating budget stay under the tax cap. Mayor Wuerch intends to propose a 2001 operating budget that is also under the tax cap

Spending Limitation

In addition to the existing tax cap limitation, there is also a spending limitation in place. Per capita expenditures in the general government operating budget for tax-supported services shall be increased over the previous year's budget by an amount no more than the percentage increase in the July CPI over the previous July CPI and those additional increased necessary to provide voter and legally mandated services.

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.

The Anchorage Municipal Charter grants the Mayor and the Assembly the responsibility for determining the level of taxes that the community will pay for the support of the Anchorage School District; where those dollars are spent is the responsibility of the Anchorage School Board.

Although the State of Alaska is constitutionally required to maintain public schools, Anchorage taxpayers continue to shoulder an ever increasing burden to pay for our schools. For example, State sources of general fund revenues for the Anchorage School District are expected to decline from \$219 million for the 1999-2000 fiscal year to \$214 million for 2000-2001. Expressed as a percentage of the total general fund revenues, it is a decline from 66.7% to 62.5%.

The School Budget Advisory Commission (SBAC) has consistently stated that the quality of the education system is not directly related to the level of spending. According to the SBAC's March 1999 report to the Assembly, over the past three years District spending has grown about 25% faster than that of the City. In addition, taxes paid to support the District have grown about 50% faster than those paid to support the City and five times as fast as the number of students.

The Administration will continue to closely monitor the level of the Anchorage School District budget. Over the past five years, the Mayor-appointed School Budget Advisory Commission has played an important role in challenging the School District to find better ways to contain growth in their budget.

5. FISCAL PROJECTIONS AND POTENTIAL STRATEGIES

We recognize that there are a number of significant fiscal challenges which we should prepare ourselves for in the coming years. Examples include:

- potential passage of Proposition 4, the Tax Cap Initiative
- further declines in State revenues
- interest rates and inflation may also rise
- unfunded federal/state mandates

As discussed below, the three major alternative strategies to help us work through potential future fiscal challenges involve:

- broadened tax base through economic development
- expenditure options
- revenue options

The alternative strategies presented below are for discussion purposes only. They are not intended to be recommendations.

PROJECTIONS

The previous four sections of this report have helped to provide the background and perspective necessary to support the six year fiscal projections which follow. Without a comprehensive view of historical trends, accomplishments over the past 5 years, and the current fiscal environment, the numerical projections would not be fully understood. Below is a recap of the key areas discussed in the previous 4 sections of the report which provide the basis for the numerical projections:

- Historical budget-related trends
- Historical economic trends and general outlook in major areas impacting the City such as population, inflation, assessed values and new construction
- Current and future economic activities and opportunities
- Other fiscal environment consideration such as State revenues, tax cap limit, debt service and O&M costs, and Anchorage School District

**SIX YEAR FISCAL PROGRAM
PROJECTIONS OF REVENUES & EXPENDITURES (in \$ Millions)
2001-2006**

Six Year Budget Projection Assumes Continuation Level Budget	2001 Oper'g Budget	PROJECTIONS				
		2002	2003	2004	2005	2006
REVENUES						
Federal Revenues (no decrease beyond 2001)	\$0.36	\$0.36	\$0.36	\$0.36	\$0.36	\$0.36
State Revenues (no decrease beyond 2001)	11.73	11.79	11.79	11.79	11.79	11.79
Local Revenues (+1.0% per yr beyond 2001)	75.40	76.15	76.92	77.68	78.46	79.25
Property Taxes (+1.5% beyond 2001--due to new constr. only)	145.03	147.21	149.41	151.65	153.93	156.24
Fund Balance Applied (no change beyond 2001)	2.61	2.61	2.61	2.61	2.61	2.61
IGC's Outside General Government (+1.1% beyond 2001)	14.87	15.03	15.19	15.36	15.53	15.70
TOTAL REVENUES	\$250.00	\$253.15	\$256.28	\$259.46	\$262.68	\$265.95
EXPENDITURES						
Personal Services (step/longevity increases only -- +0.62% beyond 2001) *	\$135.94	\$136.79	\$137.63	\$138.49	\$139.35	\$140.21
Debt Service, net of retirements (projected for all 2000 and prior authorized debt)	34.54	33.86	31.76	31.05	30.66	30.07
Other (+2.25% beyond 2001)	79.52	81.31	83.14	85.01	86.92	88.88
TOTAL EXPENDITURES	\$250.00	\$251.96	\$252.53	\$254.55	\$256.93	\$259.16
FISCAL SURPLUS/SHORTFALL--REVENUES OVER/(UNDER) EXPENDITURES	\$0.00	\$1.19	\$3.75	\$4.91	\$5.75	\$6.79

* All known contractual obligations have been factored into the 2001 expenditure base.

Note 1: The Six Year Projections of Revenues & Expenditures shown above represent the projected result if we:

- (1) Proposition 4 (Tax Cap Initiative) does not pass,
- (2) there is very modest growth in total revenues,
- (3) there is negligible growth in total expenditures, and
- (4) the current level of service is maintained to the public through the year 2006.

There are a number of fiscal impacts affecting both revenues and expenditures which could lead to budgetary shortfalls, some of which are cited in the matrix on the following page. Any fiscal shortfalls that might result would require appropriate fiscal solutions to be implemented.

Note 2: Due to rounding, amounts shown above may not total exactly.

**SIX YEAR FISCAL PROGRAM
FUTURE POTENTIAL REVENUE & EXPENDITURE IMPACTS (in \$ Millions)
2001-2006**

The cumulative effect of potential fiscal impacts shown below have been provided for analytical purposes only to provide policy makers the opportunity to project the dollar impact of future fiscal policy decisions.

For a downloadable Excel spreadsheet of future potential revenue and expenditure impacts, please visit our website at www.ci.anchorage.ak.us

FOR ANALYTICAL PURPOSES ONLY
(six-year cumulative effect of potential fiscal impacts)

	2001	2002	2003	2004	2005	2006
State Revenue Sharing Decrease (5% per year)	(\$0.50)	(\$0.97)	(\$1.43)	(\$1.85)	(\$2.26)	(\$2.65)
State Revenue Sharing Decrease (12% cut, equal to 2000 cut)	(\$1.20)	(\$2.26)	(\$3.18)	(\$4.00)	(\$4.72)	(\$5.35)
Wage Increase (annual avg. increase of 1.5% per yr.)	\$0.00	(\$2.04)	(\$4.11)	(\$6.21)	(\$8.34)	(\$10.51)
Additional Debt Service costs (assuming 70% passage for all bonds proposed in 2001-2006 CIB/CIP)	\$0.00	(\$2.65)	(\$4.96)	(\$7.23)	(\$8.88)	(\$11.43)
Additional O&M Costs for all projects cited in the 2001-2006 CIB/CIP (assuming 70% of the funding requests are realized)	(\$0.10)	(\$0.15)	(\$0.36)	(\$1.03)	(\$5.94)	(\$31.77)
Mandated Service Increases (flat \$500K per year)	\$0.00	(\$0.50)	(\$1.00)	(\$1.50)	(\$2.00)	(\$2.50)
Discretionary Budget Increases (flat \$1M per year)	\$0.00	(\$1.00)	(\$2.00)	(\$3.00)	(\$4.00)	(\$5.00)

Note 1: Using 2000 as a base year, a 1% decrease in State Revenue equates to approximately \$99,981 in lost revenues.

Note 2: The 1.5% average annual wage increase shown above is not specific to any particular labor group. The 1.5% figure reflects the inflation rate used in the Tax Cap calculation over the past 2 years.

Note 3: Numbers shown above in brackets would result in an increased fiscal shortfall.

The base model for the six year fiscal projections shown on Page 5-2 reflects very conservative growth assumptions in revenues and expenditures. In reality a number of potential fiscal impacts exist which should also be considered by policy makers. For analysis purposes, the cumulative effect of key potential fiscal impacts is shown on Page 5-3.

POTENTIAL STRATEGIES

Broadened Tax Base Through Economic Development

Economic development is important to the City in that it leads to a broadened tax base and minimizes the amount of tax support required of existing taxpayers. As high paying oil industry jobs are eliminated, we must strive to replace them with other high paying jobs from different sectors to further diversify and strengthen our local economy.

If the Municipality of Anchorage is to continue to provide an adequate level of government services to its residents and if Anchorage is to maintain a strong, stable, diversified economy, we must aggressively work toward encouraging economic development. We have already made significant 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 anticipates economic development to occur in a number of key areas or projects:

- Anchorage International Airport expansion (global logistics and cargo hub expansion)
- Alaska Salmon Research and Fisheries Support Centers
- Continued growth of tourism and convention business
- Oil development within National Petroleum Reserve lands and marginal fields
- Ship Creek area development/revitalization
- Port of Anchorage
- Girdwood area development
- Transportation Equity Act for the 21st Century (TEA-21) and Community Development Block Grant projects

Expenditure Options

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

- **Labor Policy** — Continue to bring Municipal compensation (wages and benefits) more in line with the private sector and to seek changes in our labor agreements which will enable us to deliver public services in the most productive and cost effective manner. Since wages and benefits comprise nearly two-thirds of the operating budget, not including debt service, 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 use of technology.
- **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.
- **Service Contracting** — Contract for those services that can be delivered more cost effectively by the private sector. Possible areas include contracting to smooth seasonal and cyclical costs, construction project management, and similar activities. Contract out to nonprofits when those organizations can provide services more efficiently and cost effectively.
- **Reduced “Red Tape”** — Change cumbersome, inefficient policies, ordinances and regulations that do not provide enough benefit to be cost effective through a careful evaluation of current methods and processes such as hiring private consulting firms to perform management reviews in specific areas.
- **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 and to help clean and beautify our City.
- **Infrastructure Maintained** — Continue to emphasize maintenance and rehabilitation of Municipal infrastructure (roads, parks, trails, facilities, computerized information management systems) so as to limit increases in future operation and maintenance costs. Maximize use of non-Municipal funding sources such as State grants, TEA-21 funds, and CDBG funds to help fund maintenance and rehab projects.

Revenue Options

While Anchorage enjoys the lowest overall taxes of major American cities, our local property taxes are higher than the average of these cities.

Primarily as a result of declines in State revenues, this increased burden on local property taxpayers cannot be allowed to continue.

The petition drive which resulted in Proposition 4, the Tax Cap Initiative, was successful in part because property taxpayers are tired of bearing a substantial portion of the local tax burden.

In order to provide long-term relief to property taxpayers, ways to diversify our revenue stream should be considered. New permanent revenue sources need to be evaluated for potential implementation in order to maintain our current fiscal stability.

Below is a list of optional sources for new or increased revenues, presented for discussion purposes only.

Optional Sources of Revenue

- **User Fees** — Consider new or increased user fees that may be justified by the cost causer/cost payer principle.
- **Taxes** — As our City continues to grow the issue of whether to move toward a more balanced tax base will necessitate a public discussion among public officials, local business leaders, and interested individuals/organizations. Effective October 1, 2000, the Assembly approved the implementation of a rental vehicle tax that is expected to provide revenues of approximately \$3 million per year.

Other taxes or tax strategies to consider:

- Year round sales tax
- Seasonal sales tax,
- Increased hotel-motel tax
- Elimination of the exemption from the hotel-motel tax for small B & B's.
- Elimination of the exemption from the tobacco tax for non-Anchorage residents
- Assess business/commercial aircraft as business property
- Increased auto registration tax
- Utility franchise tax

- **Utility Contributions** — Utilities, both public and private, receive government services and therefore should continue to help to support the operation of general government in Anchorage. Continual monitoring needs to occur as to the type and amount of payments made by all utilities, both private and public, so that payments made by utilities to general government for services received are fair and equitable.
- **Sale of Municipal Assets** — The Municipality of Anchorage owns and operates 5 utilities that could potentially be sold: Anchorage Water Utility, Anchorage Wastewater Utility, Refuse Collections Utility, Solid Waste Disposal Utility, and Municipal Light and Power. As was demonstrated by the sale of ATU in 1999, utility sales have the potential of providing revenues to the Municipality and increasing the property tax rolls.

6. CONCLUSION

We will continue our emphasis on making Anchorage a safe city. We will continue to work on improving our quality of life with a cleaner environment; functional, more attractive roads; more cultural and recreational opportunities; low taxes and utility rates; and sound fiscal policies. We will continue to promote Anchorage, as one of America's most livable cities and in so doing new businesses, visitors and prospective residents will be encouraged to come to Anchorage.

Quality of life will be the most important economic development force of our foreseeable future. The enhancement of our City's quality of life does not come without a cost. As we strive to improve our City, we are faced with declining State revenues. While Anchorage has been identified as having the lowest overall taxes of any major city in America, local homeowners/property taxpayers bear a disproportionate share of the taxes collected. We need to ask ourselves how best to achieve a more balanced tax base. We need to strive to lower property taxes in the future by considering all possible alternatives for pursuing economic development opportunities, decreasing expenditures, and increasing revenues other than property taxes. This Six-Year Fiscal Program has presented some of these alternatives for future consideration.