SIX YEAR FISCAL PROGRAM

2013-2018

Municipality of Anchorage

Dan Sullivan
Mayor

October 1, 2012

MUNICIPALITY OF ANCHORAGE
Six Year Fiscal Program
2013 - 2018

Dan Sullivan, Mayor

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PREFACE

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."

Like all responsible governments, the Municipality of Anchorage must provide its citizens with an acceptable level of critical public services. The purpose of this “Six Year Fiscal Program” is to provide a financial plan for review and consideration in response to services demanded by the public.

The “Six Year Fiscal Program” is intended to encourage a balanced approach towards responding to ever changing fiscal conditions. Achieving balance starts with a mindful approach and engaged activities to keep the cost of local government in focus. In addition to cost containment, other fiscal strategies include economic development, expenditure reductions and revenue enhancements. Key strategic policy decisions will need to be made in order to determine exactly what the appropriate balance point should be.

Detailed demographic and financial information about Anchorage are available at, Municipal libraries and the Municipal web site at www.muni.org. Relevant documents include:

- Comprehensive Annual Financial Reports
- General Government Operating Budgets
- General Government Capital Budgets/Programs

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1. MAJOR SIX YEAR STRATEGIC PLAN, VISION, MISSION, VALUES AND GOALS

The Municipality of Anchorage has a set of overarching goals identified by the Mayor and his Administration. The goals presented herein are the program and service areas in which the Administration intends to focus over the next few years.

Strategies for accomplishing these goals have been developed and are in the process of being implemented. Departments are responsible for monitoring their business plans so that they are in alignment with the City's goals. The "Performance.Value.Results" program was implemented in 2010 with the goal of measuring performance relative to the strategy. Departments developed specific performance measures. The measures are included in the budget book and are also available on the City's web site. Aligning priorities with services helps departments manage their resources effectively and measure their progress more accurately.

The Municipality's Strategic Plan, including our Values, Mission, Vision, Elements and Goals, provides an overall direction for carrying out the activities of the Municipality in order to best meet the needs of the people who live and work here.

Such a plan aligns our priorities with financial resources and allows for a more informed and in-depth annual discussion of how best to achieve the desired results on behalf of the community. The Strategic Plan is intended to be a living document and, as such, will be modified to adapt to events in our ever-changing world.

Values: Describe the qualities and behaviors that are core to our organization. They are our foundation and determine the rightness of our direction. Our core values include:

- *Safety* - providing for the safety and well-being of our community
- *Excellence* - passion to do our best every day
- *Stewardship* - using our time and resources wisely
- *Integrity* - doing the right thing, not the easy thing
- *Accountability* - accountable to the community for our actions

Mission: Our mission is *"To provide and maintain effective and fiscally responsible municipal services that foster a high quality of life".*

Vision Elements: Our vision elements are:

- *Exemplary Municipal Operations* - described as; effective and efficient service delivery and exceptional customer service.

- *A Safe Place to Call Home* - described as; low violent crime, timely fire and ambulance response, safe neighborhoods and parks, well prepared for emergencies, solutions for our homeless population.

- *Flourishing, Broad-based, and Sustainable Economy* - described as; fiscal stability, predictable diversified taxes, stable property taxes. Favorable bond ratings. Reliable long-term sources of energy. Stable and efficient regulatory environment that doesn't discourage business development. Incentives for redevelopment.

- *Inviting Place to Live, Work and Play* - described as; a diverse community with unity of purpose, high quality education, lifelong learning second to none and sufficient infrastructure to support health care, and cultural and recreational activities.

- *A Premier Destination* - described as; a vibrant downtown, major events hosted, visitor friendly and a signature feature.

Goals: Our strategic goals and related strategies are:

1. *Improve the Efficiency and Effectiveness of Municipal Operations*

   a. Restructure local government to match the organization with its mission and streamline processes to improve internal and external service delivery
   b. Establish a system to measure and communicate operational performance
   c. Revise labor ordinances and personnel rules to maximize efficiencies
   d. Optimize information technology to improve business performance
   e. Develop and implement a facilities management plan that ensures efficient and full utilization of space, including use of our recreational and cultural public facilities
   f. Improve street maintenance (snow removal, potholes, street sweeping and striping)
   g. Pursue privatization and managed competition

2. *Strengthen Public Safety*

   a. Improve management and deployment of all public safety resources
   b. Reduce social and fiscal impact of chronic public inebriates
   c. Achieve compatibility of communication systems between agencies
   d. Develop and exercise a crisis management plan

e. Maintain building codes to reflect safe building standards rationalized to Alaska
f. Promote citizen responsibility for a safe community

3. *Achieve Fiscal Sustainability*

a. Develop a realistic six year fiscal plan
b. Reduce/hold the line on property tax
c. Maintain a favorable bond rating
d. Operate at, or below, current budgets
e. Instill department accountability for financial management

4. *Improve the Transportation Systems*

a. Improve traffic flow
   i. Connect major roadways
   ii. Improve high volume intersections
   iii. Evaluate signalization
b. Extend life cycle of roads
c. Maintain a robust transit system that serves as an affordable and reasonably convenient mode of transportation particularly to employment centers
d. Coordinate transportation improvements and extensions with Anchorage Water & Wastewater Utility water and sewer extensions

5. *Achieve a Stable and Reliable Source of Energy*

a. Develop a stable and economical short-term energy plan to deal with any shortages
b. Identify and advocate for new energy sources
c. Advocate for a regulatory environment that doesn’t discourage development in Cook Inlet
d. Encourage the Regulatory Commission of Alaska to be responsive to supply and demand
e. Develop and implement a long-term energy conservation plan
f. Develop a communications vehicle to make the public aware of critical issues
g. Explore merging of utilities in the Municipality of Anchorage
h. Utilize the Energy Task Force to help develop energy policy

6. *Promote Economic Development*

a. Attract additional economic development opportunities
b. Foster a vibrant oil and gas industry

c. Support the University of Alaska Anchorage's and the Anchorage School District's workforce development programs
d. Investigate opportunity for Winter Olympics
e. Advance relationships with Anchorage Economic Development Corporation (AEDC); Visit Anchorage; Anchorage Community Development Authority; and CIVICVentures, an Alaska non-profit corporation
f. Establish stable business taxes and user fee structures
g. Streamline our permitting and planning process to be more attractive to businesses and establish time limits for plans and warranty approvals
h. Judicially use development tools; such as, tax deferrals and abatements, to encourage new business
i. Set priorities for publicly-funded infrastructure in order to support infill and redevelopment of major employment centers and community centers in accordance with the comprehensive plan's intended pattern of growth

7. Improve community relations and earn a positive public opinion as to the Administration's overall performance and the delivery of core services

    a. Maintain open, cordial and professional relationships with the public and media
    b. Achieve an organization culture that puts a high value on community service and accountability
    c. Promote diversity awareness in the community and encourage unity in the pursuit of common goals
    d. Promote volunteerism and non-profit groups to provide community service

8. Enhance academic excellence while maintaining cost effectiveness

9. Maximize Federal and State support for priority programs and projects

10. Work effectively with the Municipal Assembly

Capital Projects

Capital project requests from Federal, State and local sources will focus on roads, parks, upgrading our municipal facilities, public transportation and public safety. Additionally, in 2013 the Municipality of Anchorage (MOA) is requesting funding for Anchorage Water and Wastewater Utility. The MOA can expect more limited funding availability from outside sources. In turn, we need to maintain our favorable bond ratings by limiting per capita debt. We will continue to seek favorable debt refunding opportunities to decrease interest rates and long-term debt obligations.

The capital program will be based on the premise that we must first adequately maintain our current assets before we add any significant new projects with high operation and maintenance costs. The Sullivan Administration's goal is to avoid an increase in overall debt during the forecasted time period. In aggregate, over the next six years, we expect to pay down existing debt in an amount greater than newly issued debt going forward.

2. ECONOMIC TRENDS AND INDICATORS

Introduction

By most key indicators, Anchorage's economy continues to expand at a slow but steady pace, though final employment counts for 2011 showed a much more robust year than originally measured. According to Alaska Department of Labor and Workforce Development (ADOLWD) data, Anchorage gained 3,300 jobs in 2011, up 2.2% from 2010. In January, AEDC predicted more modest employment growth, forecasting that about 1,500 jobs would be added to Anchorage's employment base of 154,400 jobs, an increase of about 1%. Through the first five months of 2012, employment is 1,440 jobs above the same period in 2011, according to ADOLWD.

Anchorage continues to outperform the national economy. The unemployment rate in Anchorage in May was two full percentage points below the national average, 5.7% versus 7.9%, also according to ADOLWD. Lingering high unemployment in the U.S., weak job growth, and extreme volatility in the Euro zone economy are all presenting strong headwinds for domestic economic recovery.

Meanwhile, according to the 2012 AEDC Business Confidence Index (BCI) survey, business confidence in Anchorage is at its highest level since the BCI survey was launched four years ago. Based on the results of this three-year economic forecast, that optimism is justified for the coming three years. For the remainder of 2012 and the 2013-2015 forecast periods, all of the indicators in this forecast are expected to be stable or trend upward.

Population

Anchorage's population in 2011 climbed to 296,197 residents, according to ADOLWD estimates, an all-time high, and 1.5% above the 2010 Census count. Natural increase (births minus deaths) accounts for more than 95% of the city's recent population growth. Net migration (the difference between the number of people moving to Anchorage and the number leaving Anchorage) accounted for a small share (about 5%) of population growth over the 2010 to 2011 period; unlike in the Mat-Su Borough where net migration accounted for 60% of its population growth between 2010 and 2011. The Mat-Su Borough's population of 91,697 in 2011 continued to grow at a faster rate than Anchorage, up 2.4% above the 2010 Census count.

Anchorage's population may top the 300,000 mark this year (2012). AEDC forecasts population growth of 1.2% in 2012, which would put Anchorage about 250 residents shy of 300,000. Supported by additional natural increase and continuing job growth, the 1.2% annual growth rate is expected to hold steady over the next three years.

Employment

Final employment counts for 2011 from ADOLWD showed a more robust year than originally forecasted, in terms of jobs growth, with total employment averaging 3,300 more jobs than in 2010. Anchorage employment averaged 154,400 jobs in 2011, up from 151,100 jobs in 2010. The health care sector was again leading the charge with new job creation by adding 900 jobs in 2011. Other growth occurred in the leisure and hospitality sector (+800 jobs), education (+700 jobs), transportation/warehouse/utilities (+500 jobs), and professional and business services (+400 jobs) sectors, as well as in the oil and gas sector (+200 jobs).

Preliminary January through May 2012 numbers show continued growth, thanks once again to health care (+540 jobs), but also transportation/warehouse/utilities (+600), leisure and hospitality (+360), and professional and business services (+300). Construction continues to lag, with 300 fewer jobs through the first five months of 2012 than in the same period in 2011.

Momentum from last year's strong job performance is carrying into 2012, though the pace of growth has slowed. While AEDC remains optimistic about the near-term employment outlook, this year's three-year forecast is for slightly slower growth than predicted in previous forecasts. AEDC forecasts employment growth at around 1% for 2012, with the rate of increase rising slightly to 1.2% annually in 2013, 2014, and 2015.

Personal Income

Personal income is a measure of total gross income (before taxes) from all sources earned or received by Anchorage residents. It includes employment income, income from other sources such as investments (dividends, rental income, and interest income, among others), and government transfer payments (which include Social Security, Medicaid and Medicare, unemployment benefits, and the Permanent Fund Dividend).

Anchorage resident personal income totaled $14.4 billion in 2010 (the most recent local-level data available from the Bureau of Economic Analysis (BEA), 4% above the 2009 total. Over the past four years, total personal income in Anchorage has increased at an annual average rate of 3.6% (in nominal, non-inflation-adjusted dollars).

In 2010, 72% of Anchorage's personal income came from employment (including self-employment income), significantly more than the national average of 65%. Proportionally, Anchorage residents earned less than the national average from investments and other non-employment sources (14%

versus 17% nationwide) and from government transfer payments, including Permanent Fund Dividends (14% vs. 18% nationwide).

Total Alaska (statewide) personal income increased by 2.9% between 2010 and 2011, according to BEA. For the same period, U.S. personal income increased by 4.3%. Though data is not yet available, Anchorage personal income likely grew at a rate similar to the U.S. average between 2010 and 2011. These figures have not been adjusted to account for the effects of inflation.

AEDC forecasts personal income growth of 4.5% in 2012 and 2013, accelerating to 5.2% annually in 2014 and 2015 as general economic conditions improve outside Alaska's borders, and local and statewide economic conditions remain positive.

Anchorage International Airport Passenger and Freight Volume

Approximately 5.1 million people passed through the Ted Stevens Anchorage International Airport (ANC) in 2011, a 3% increase over 2010; yet, still 5% below pre-recession levels in 2008.

The first five months of 2012 were down slightly from the first five months of 2011 with passenger traffic down 2%, although the peak summer months will play the largest role in determining overall traffic trends for the year. Summer flights on Frontier Air, American, Jet Blue, Air Canada, and Sun Country returned to Anchorage. Also, Domestic carriers serving Anchorage year-round increased flights during the summer season. While the number of JAL and Korean Airlines flights were the same as last year, Condor increased from 64 flights to 78 this summer. Yakutia Air began weekly flights between Anchorage and Russia this summer. Overall, AEDC expects summer traffic to push the annual 2012 totals to about 1% above last year. Beyond 2012, passenger traffic is expected to increase at a rate of 2% annually.

Air cargo volume at the airport dipped in 2011, slipping from 2.9 million tons in 2010 to 2.8 million tons last year. Data for the first five months of 2012 show the downturn persisting, with a 5% decline compared to same period in 2011. The recent decline is mostly in cargo transiting through ANC, which was down 12%. Transit cargo accounts for about 70% of the air cargo moving through ANC. Deplaned cargo declined 13% while the volume of enplaned cargo increased 12%.

Transit cargo volume through ANC serves as a barometer of conditions in the global economy. The decline in in-transit volume in 2011 and 2012 year-to-date likely reflects reduced exports from China to Europe. European nations are a critical market for goods manufactured in China. Most of the Euro zone's 17 member nations are in recession.

AEDC expect ANC air cargo volume to remain below 2011 levels for the remainder of 2012. Economic conditions in the Euro zone are the wildcard looking toward 2013 and beyond, with as much likelihood of further deterioration as improvement. Nevertheless, World Bank projections of European Gross

Domestic Product (GDP) show growth of 0.7% in 2013 and 1.4% in 2014. That reasonably positive outlook, coupled with expected U.S. GDP growth of 2.4% and 2.8% over the same two-year period, leads AEDC to predict a turn-around in air cargo volumes, with growth of 1.5% in 2013, 2.0% in 2014 and 2.5% in 2015.

Building Permit Values

Building permit applications submitted to the Municipality of Anchorage provide a partial measure of new construction activity. Building permit data is categorized into residential, commercial, and government facility construction. It does not include military construction and road construction projects.

Residential, commercial and government building permits together totaled $433 million in 2011, up about 10% from 2010 (the first annual increase since 2006). Approximately $147 million was permitted during the first quarter of 2012, up 43% from the same period in 2011. While a positive indicator, quarterly spikes in permit values such as this are common and should not be interpreted to reflect annual growth rates.

Residential building permit values (not including townhouses, condominiums, and apartment buildings, which are counted as commercial) declined 10% in 2011 compared to 2010. In 2011, multi-unit housing building permit application values were $29.6 million, double the 2010 values of $14.8 million. Multi-unit housing accounted for 11% of the total commercial building permit values in 2011. Within the first five months of 2012, multi-unit housing permit application values are down 50% when compared to the same period in 2011 ($7.6 million vs. $15.2 million). Commercial building permit values were up 24% between 2010 and 2011. Government construction permitting values show a slight decline from 2010's $43 million to $40 million in 2011.

First quarter 2012 numbers were mixed, with residential building permit values down by 6% and commercial building permit values up 39% from first quarter 2011. The value of government permits was up significantly from the first quarter 2011 (up from $2 million to about $18 million in first quarter 2012). Again, these figures provide only a partial picture of government construction spending, however, as transportation and military projects are not included.

AEDC forecasts that the combined building permit valuations will continue to increase in 2012 and rise at about 5% a year over the 2013-2015 period as the investment climate continues to improve.

Port of Anchorage Freight Volume

The Port of Anchorage is a critical component of Alaska's transportation infrastructure, accounting for 90% of all Alaska consumer goods trade and serving about 85% of the state's population. The total volume of freight that moved through the Port of Anchorage in 2011 was up almost 5% from 2010 to 4.1 million short tons. Though Port volume increased in each of the last two years, it remains well off the 2005 high point of 5.1 million short tons. Recently, the Port of Anchorage initiated efforts to prepare a Port Master Plan to guide port decision-making and development over a 20-year period through 2032.

While first quarter volume is down slightly over the same period last year, modest growth of about 2% is expected for 2012 and 2013. Beyond that, for 2014 and 2015, freight volume growth is pegged at 2.5% annually.

Visitor Industry

After three consecutive years of declining traffic, the summer of 2011 saw a slight (2%) increase in out-of-state visitor volume to Alaska, and traffic was projected to increase again in summer 2012, according to the recently released *Alaska Visitor Statistics Program VI* (AVSP). Most of the recent increase was attributable to the air market, which increased an estimated 5% between 2010 and 2011. The cruise market increased by 1%, while the highway/ferry market showed a decline between 2010 and 2011.

The AVSP report reveals a wealth of information on visitors to Anchorage in summer 2011. Anchorage received an estimated 784,000 visitors over the five-month period of May to September. They spent an average of $407 per person in Anchorage. Most Anchorage visitors traveled to/from Alaska by air (55%), while 41% were cruise ship passengers, and 4% entered or exited Alaska by highway or ferry.

Anchorage bed tax revenues increased by 8% in the second and third quarters of 2011, compared to 2010. Over the same time period, Anchorage vehicle tax revenues increased by 6% and RV rental tax revenues increased by 9%.

Statewide, visitor traffic is expected to continue to rebound from the recession-era slump of 2008-2010. Cruise passenger volume was projected to increase by 6% in summer 2012, which will likely translate to some increase in Anchorage visitation. The Port of Anchorage expected to receive nine cruise ship calls in summer 2012, down from 11 calls in 2011. In terms of the international air market, Japan Air and Korean Air will make the same number of stops in Anchorage as in 2011; Condor Air (as noted above) will increase their number of flights from 64 to 78; and Edelweiss (which began serving Anchorage in 2011) discontinued flights.

Nationwide projections are cautiously optimistic. Domestic travel was projected to grow by 1.5% in 2012, then by 1.8% in 2013. Overseas arrivals into the US are projected to grow faster, at 3.8% and 4.3%, respectively (Source: US Travel Association).

Oil Prices

Last year, AEDC predicted West Texas Intermediate (WTI) crude oil spot prices would average $102 in 2011. WTI prices actually averaged $95 per barrel while the Alaska North Slope (ANS) West Coast average spot price in 2011 averaged $110. Other past AEDC predictions for average WTI oil prices were: in 2008, $127 per barrel (actual $100); in 2009, $60 (actual $62); and in 2010 $79 (actual $79).

While oil prices have been volatile over the past few years, ANS West Coast Spot prices have been quite steady over the past 16 months, with monthly averages moving within a range of $110 to $123 a barrel. However, June prices dropped to $98, according to Alaska Department of Revenue data.

WTI crude oil spot prices do not always move exactly in parallel with ANS prices, but WTI price forecasts serve as a reasonable proxy for expected future ANS prices. The U.S. Energy Information Administration (EIA) forecasted that WTI crude oil spot prices would average $97 in 2012, holding steady around that price in 2013. Oil price forecasting beyond 2013 is rife with uncertainty. Nevertheless, EIA's long-term energy price forecast, released in April 2011, suggests oil price growth of about 2% annually in 2014 and 2015.

Challenges Ahead

Anchorage has clearly resumed its steady march along the path of economic expansion, after experiencing a relatively minor downturn in 2009. (Prior to 2009, Anchorage had experienced 20 consecutive years of job growth.) Several sectors show promise for further growth. The visitor industry is back on the upswing. The mining industry, buoyed by relatively high metal prices, is creating economic activity in Anchorage, mainly in the professional services sector. The health care sector continues to expand in Anchorage.

But the future remains clouded by the largely unabated decline in North Slope oil production. Oil revenues account for 85 to 90% of State General Fund revenues. High oil prices have sheltered the state from the fiscal consequences of this production decline. But that shelter could quickly disappear with further decline in oil prices, or more gradually as declining production outpaces oil prices. By some estimates, the oil and gas industry accounts for 100,000 jobs in Alaska, with about half of those jobs connected to royalty and tax payments to state and local governments.

As we consider the future, there is plenty of uncertainty. Federal jobs and dollars are another pillar of the Alaska economy. In FY2010, $12.6 billion in federal funds flowed into the Alaska economy. However, the Alaska Railroad's struggle to preserve its federal funding attests to the fact that essential federal dollars can no longer be taken for granted. Even a relatively small decline in federal spending in Alaska has potentially significant implications for the economy. Further, events in the troubled Euro zone economy are relevant to Alaska and Anchorage. Slowing economic growth in China also has local economic implications. Nevertheless, Alaska's very rich natural resource base – oil and gas, minerals, seafood, scenic beauty and wildlife – provides a strong foundation for optimism about our state's future.

3. HISTORICAL FINANCIAL TRENDS

When the Sullivan Administration took office in 2009, the national economy was in the midst of what was later referred to as the Great Recession with nearly 10% national unemployment and millions of homes in foreclosure. Anchorage was impacted by the effects of the national recession, particularly in the areas of construction, tourism and investment income. Fortunately the impact to Anchorage and Alaska was not as severe as other parts of the country. Due to a sudden major decline in 2008 investment income and unrealistically budgeted revenues for public safety and public finance in 2009, the current Administration was compelled to take immediate corrective action to reduce expenditures in order to better align with newer expectations. While nearly $10 million of revenue shortfall was identified, tens of millions of dollars of additional future costs tied to new labor contracts approved in 2008 served to add many times greater magnitude to the long-term fiscal problems faced by the City.

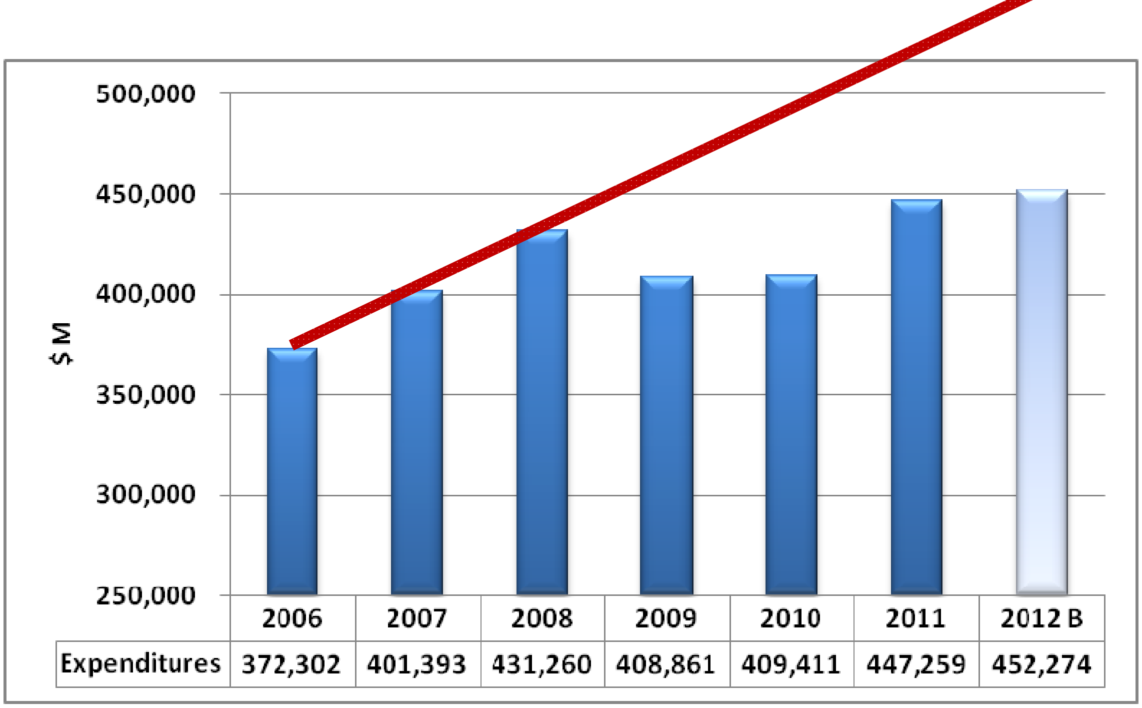
Expenditures

The graph below depicts the actual expenditure trends from 2006 to 2012 for Anchorage general government. Clearly, the trajectory of expenses established as far back as 2006 did not offer a long-term sustainable course for the City, particularly in the midst of severe market declines and a severe national recession. As a result of budget cutting measures implemented in years 2009-2013, the Sullivan Administration has successfully restructured expenditures to a more sustainable level of government, with healthier fund balances, high bond ratings and more efficient delivery of city services. This proactive and serious approach to addressing past, current and future budget shortfalls has served the City well and kept it from falling into a fiscal hole that countless other local and state governments around the country have experienced during this recessionary period.

In 2011 the rate of spending, in comparison to 2009 and 2010, increased due to the receipt of additional revenue sharing funds from the State of Alaska. These funds were spent on one-time projects that included environmental remediation, a pay down of an interfund loan and investments in efficiency initiatives. The Administration continues to operate Anchorage in a frugal manner by continuing to manage costs in a more efficient manner.

MOA General Government Actual Expenditures

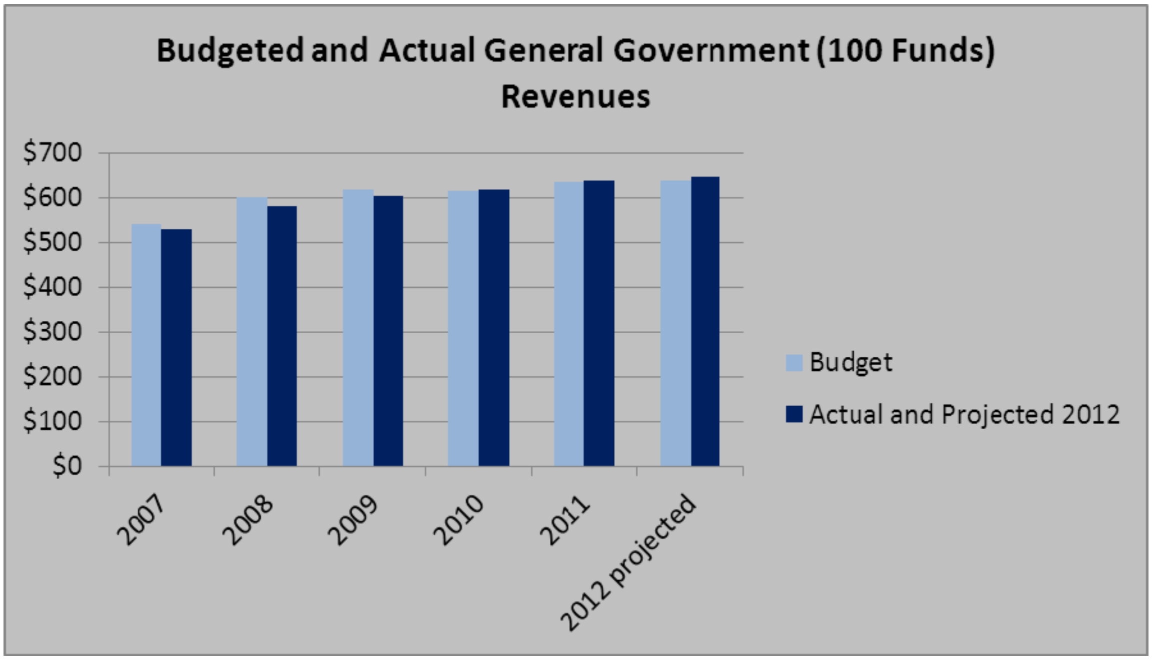
2006 to 2010



Source: MOA OMB and MOA Controller

Revenues

Revenues have modestly increased over the past six years. The Municipal Treasury Division regularly monitors and forecasts revenues so that the Administration can proactively control spending to maintain a balanced budget. As illustrated in the graph below, revenues have met or slightly exceeded budget estimates during the trailing three-year period. This promotes confidence in the Municipality's ability to manage expenditures in a balanced manner and to maintain fund balances.



Long-term Trends in Major Categories of General Government Revenues

A review of long-term revenue trends and its drivers will assist policy makers and citizens when considering changes in the revenue structure of Anchorage. In reviewing long-term trends of general government (100 Fund) revenues over the past fourteen years, from 1998 through 2012, the following narrative and graphs shown below identify six major determinant categories that affect changes in revenues over time, as follows:

1. **Determined by Mill Rate and Taxable Value:** Property Taxes and MUSA/MESA payments are determined by the mill rate multiplied by taxable value of real and personal property or utilities' net plant value. The taxable value of property is determined by the Municipal Assessor, and net plant value is derived based on the net book value of utility balance sheets. The mill rate is set by the Assembly each year.

2. **Determined by Resident Consumption:** Revenue from taxes on tobacco, vehicles, aircraft and from fees paid for Municipal services are determined by choices by city residents about how much of these products and services they use. Also included in this category are the Utility Revenue Distribution and 1.25% MUSA revenue. These payments are specific percentages of gross revenues of the utilities, which are determined by local residents' choices about how many utility services they use.

3. **Determined by Economic Market Conditions:** Tourism taxes, construction permit revenues, and investment earnings are determined primarily by economic conditions in the tourism, construction, and investment markets.

4. **Determined by State or Federal Government:** Municipal Assistance, Federal Build America Bond monies, and State and Federal Payments in Lieu of Taxes (PILT) are determined by decisions and actions of the State or Federal governments.

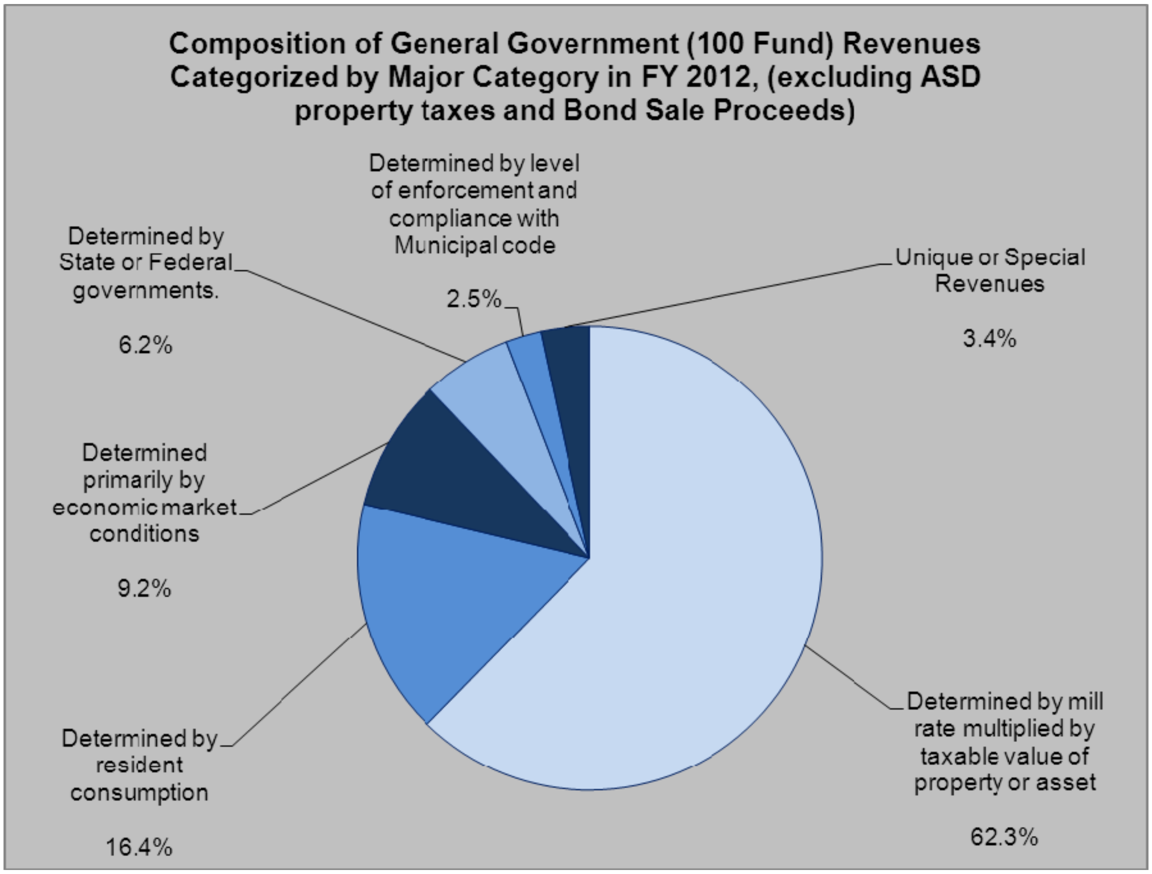
5. **Determined by Level of Compliance and Enforcement of Municipal Code (Code):** Revenues from all types of fines and penalties and interest paid on delinquent taxes are determined by the level of compliance with the Code, the level enforcement of the Code, and collection efforts to collect delinquent taxes or fines.

6. **Unique or Special Revenues:** Contributions from the MOA Trust Fund, contributions from others, lease revenues, property sales, private PILT payments, claims and judgments, miscellaneous revenues, and other special types of revenues are specified in contracts, by court rulings, or special provisions in the Code.

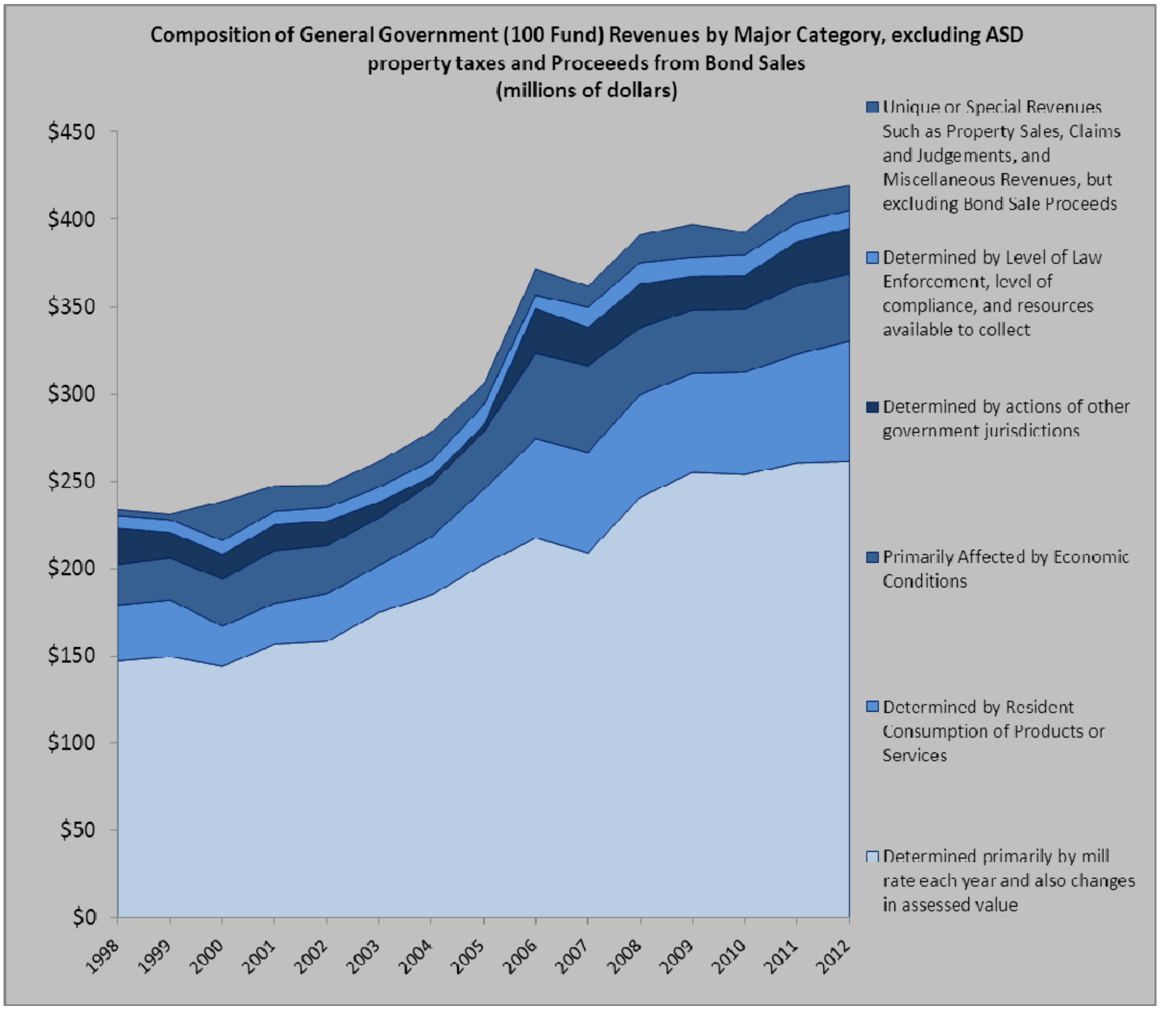
Summary of All Categories of Revenues

The largest share of general government revenues is determined each year by multiplying the mill rate by taxable value of property or assets. Revenues determined by resident consumption decisions contribute to the next largest share (16%). About 9% of revenues are determined primarily by economic market conditions. Another 6% is determined by actions of State or Federal governments. About 2.5% of revenues are driven by compliance and enforcement of Municipal Code. The remaining 3.4% is determined by a variety of unique or special factors.

The summary pie chart below shows the composition of general government (100 Fund) revenues based on this categorization. It excludes the property tax revenues transferred to the Anchorage School District (ASD) and proceeds from bond sales.



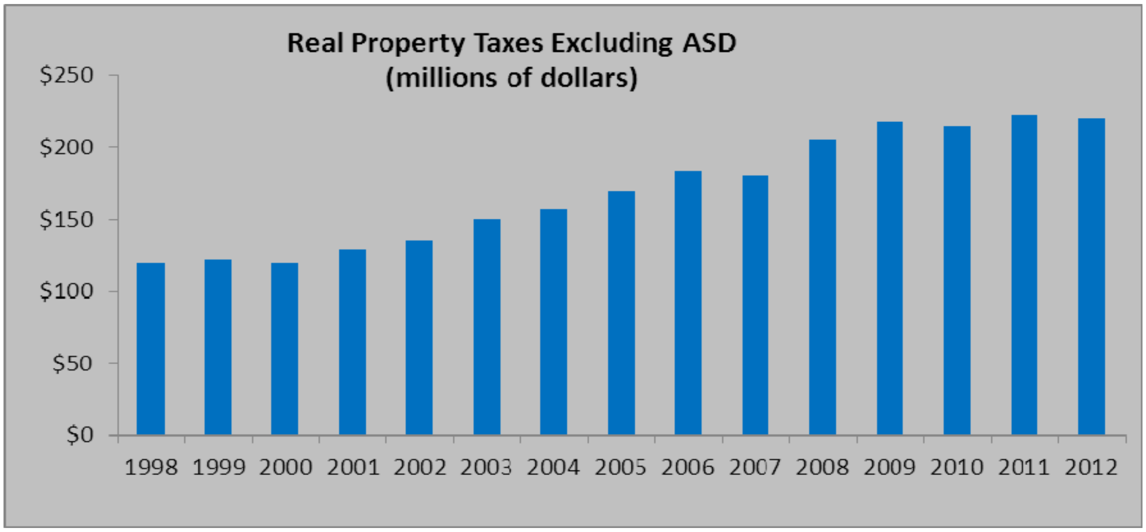
The summary chart below shows the changing composition of revenues for each of the major categories over the last fourteen years. Revenues determined by the mill rate and taxable value of property or value of utility assets have contributed a relatively stable 63% to 65% of general government (100) revenues over time. Revenues determined by resident consumption have contributed a growing share of revenues mostly because of increases in the tax rate on tobacco and vehicles. Revenues driven by economic conditions in the tourist, investment, and construction markets have contributed a relatively stable share since about 2006. The unusual increase in revenues in 2006 followed by a decrease in 2007 was because some State of Alaska Municipal Assistance revenues were received and posted in 2006 but were applied as a tax credit in 2007.

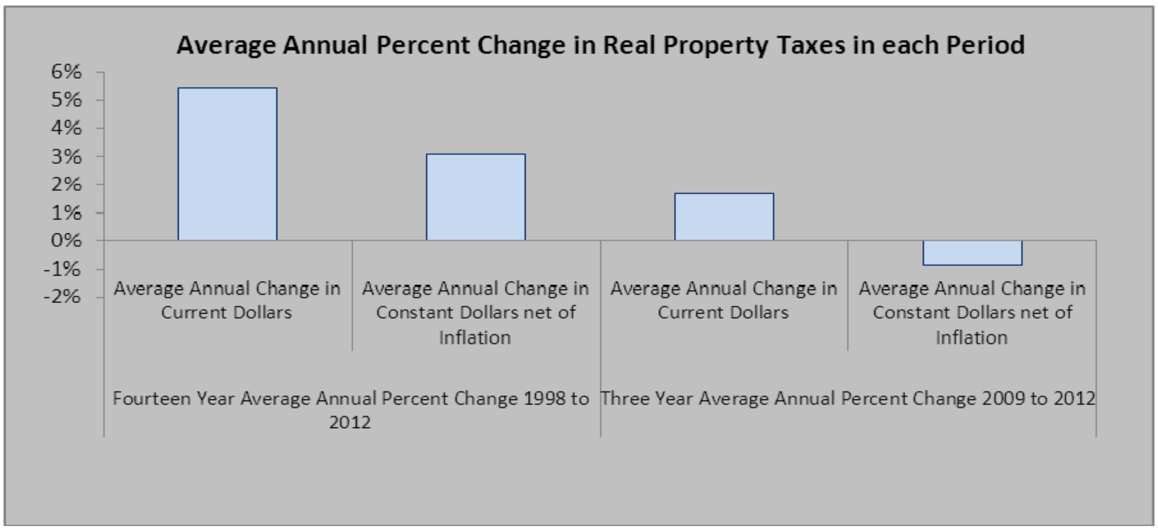


Key Revenue Determinant Categories

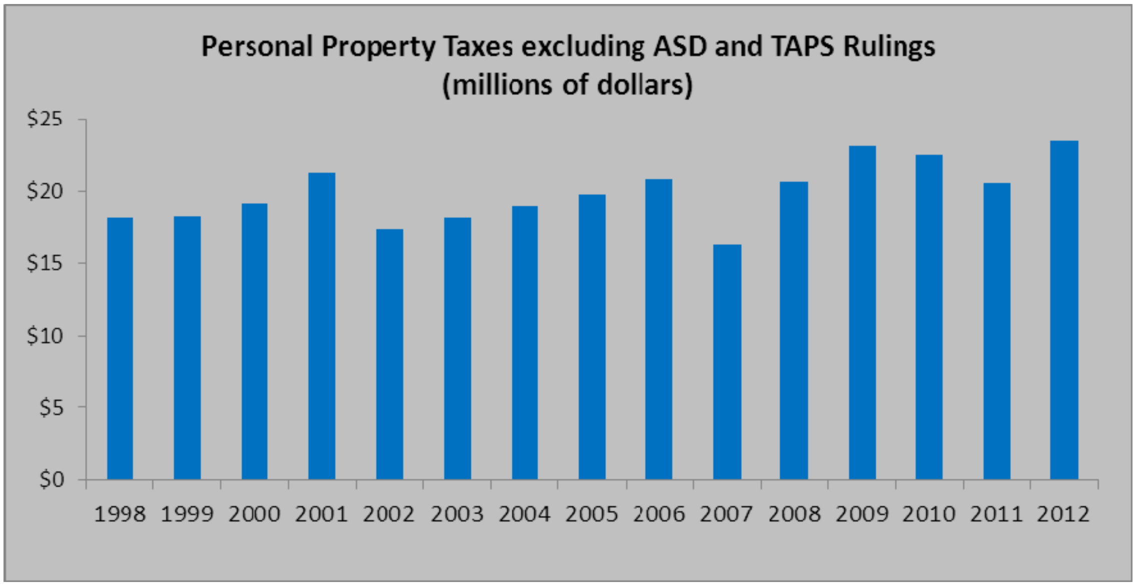
Revenues determined primarily by the mill rate and taxable value

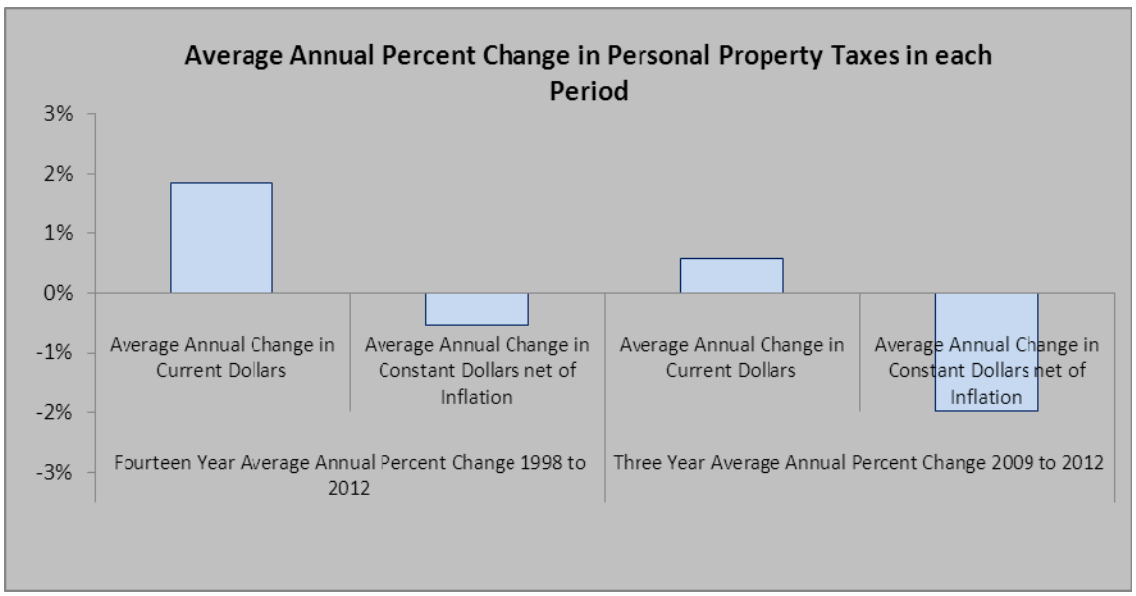
Real property tax revenues are the largest component of this category. The level of revenues collected each year is determined by policy decisions by the Administration and the Assembly when they set the mill rates each year. Over the last three years, real property tax revenues have increased at a slower average annual rate than the long-term historical trend from 1998 to 2009. After removing the effects of inflation, real property tax revenues have declined slightly less than one percent in the last three years.



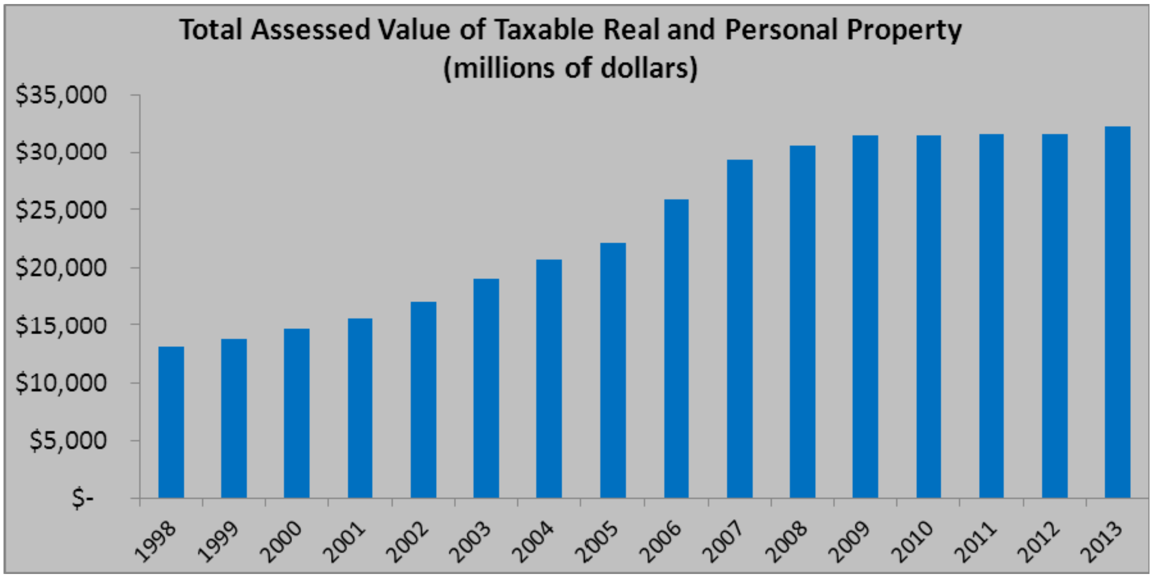


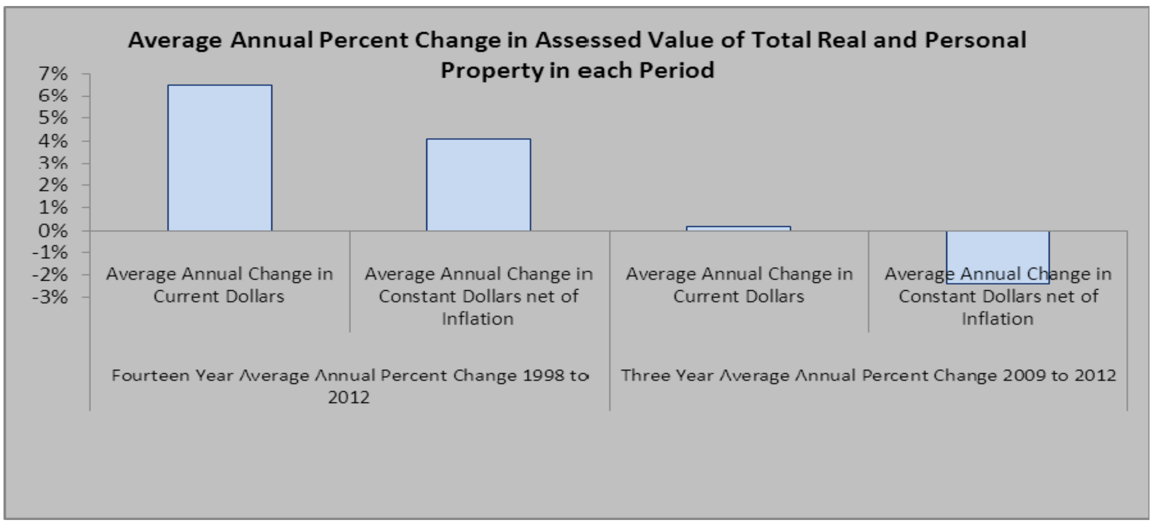
Personal property tax revenues are variable year to year due to changes in the mill rate and changes in the assessed value of business personal property, state oil and gas property, and mobile homes. Over the last three years, personal property tax revenues have grown slightly slower than the long-term trend. The charts below exclude ASD property taxes and the one-time special revenues from the lower court rulings regarding the value of the Trans-Alaska Pipeline in 2010 and 2012. These court rulings required payments of personal property taxes on state oil and gas properties owned by Alyeska Pipeline.





Assessed Value: The calculation of real property tax revenues, personal property tax revenues, and MUSA/MESA payments are all dependent on the mill rate. One of the factors affecting the mill rate is the assessed value of taxable property. For a given level of property tax revenues, an increase in assessed taxable property value results in a lower mill rate. For the same level of revenues, a decrease in assessed taxable property value results in a higher mill rate. Because of its effect on the mill rate, it is important to track changes in the total taxable property value over time. From 2009 to 2012, the total assessed value of taxable real and personal property has remained relatively stable compared to previous years. Property Appraisal currently projects a 1.9% increase in total taxable property value in FY 2013.

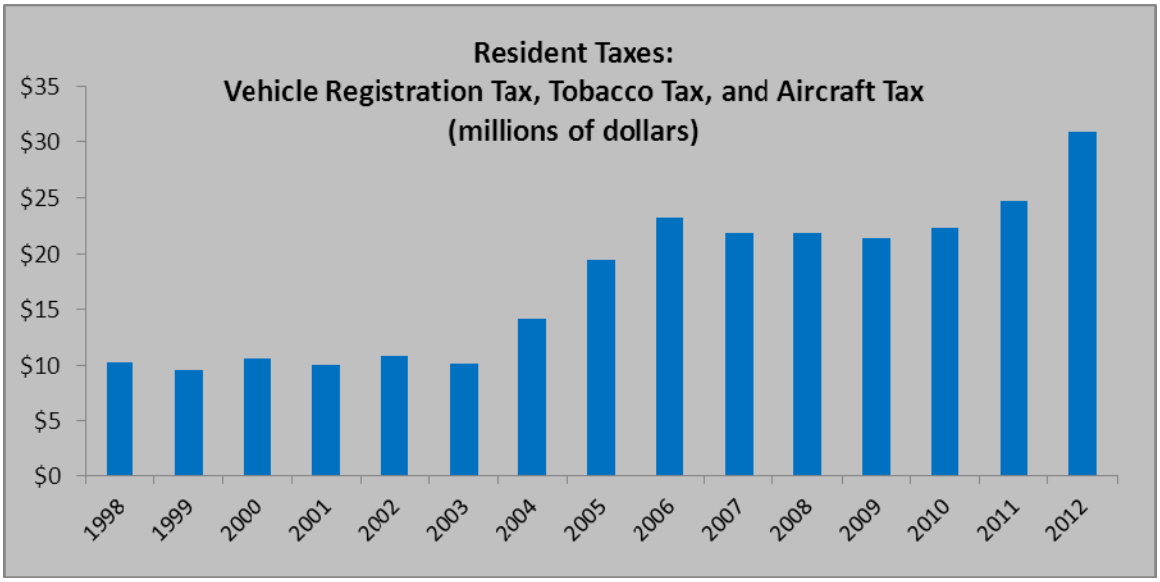


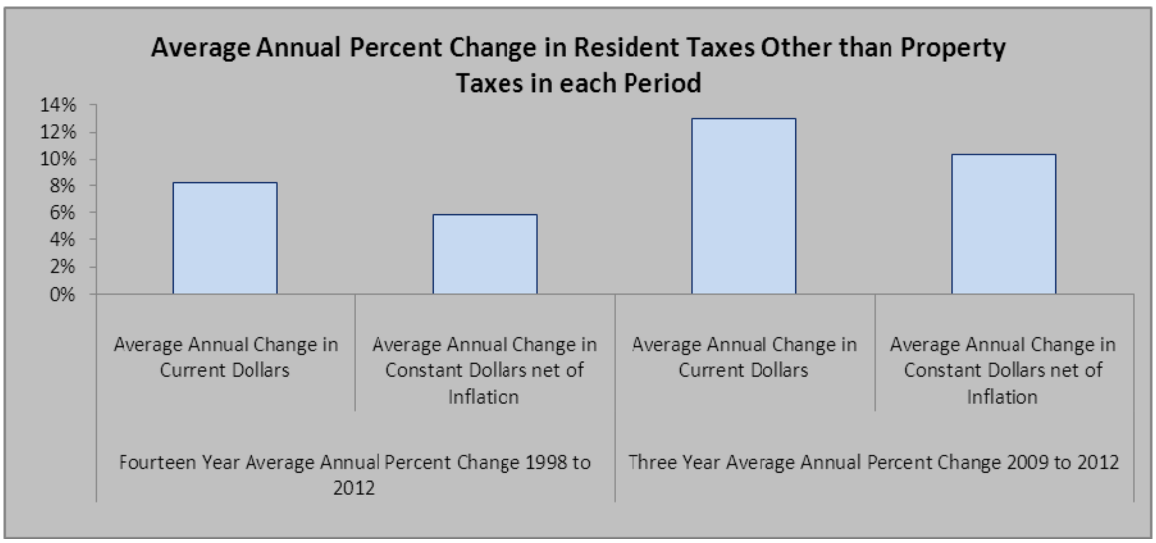


Revenues Determined Primarily by Resident Consumption

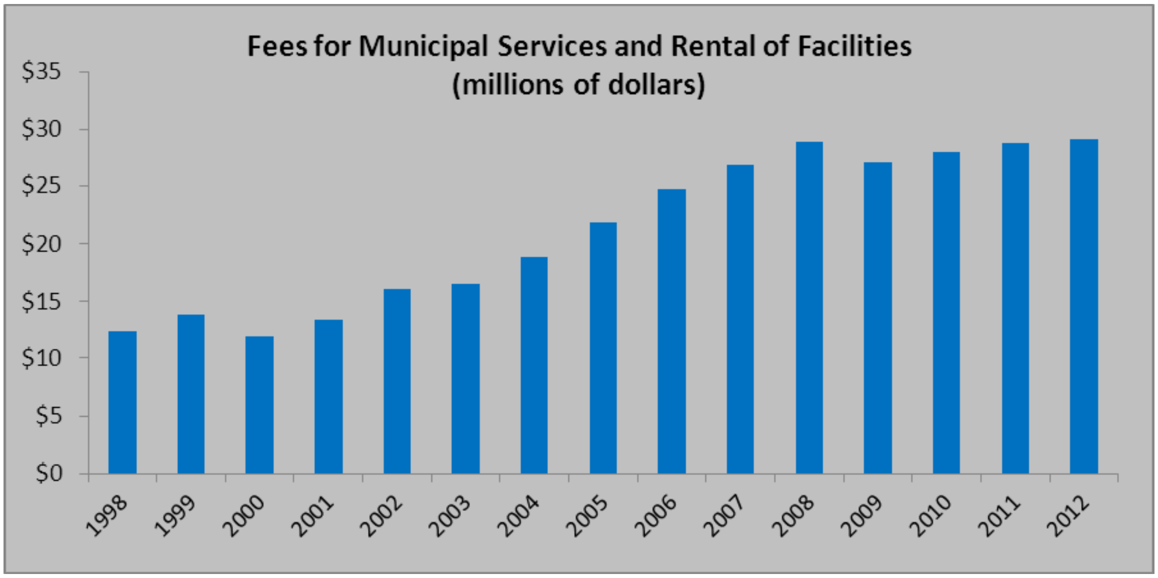
These revenues include fees paid by residents for Municipal/utility services and facility rentals. It also includes residents' payments of tobacco taxes, vehicle registration taxes, and aircraft taxes. This category of revenues contributes to about 16% of the total general government (100) revenues, excluding ASD property taxes.

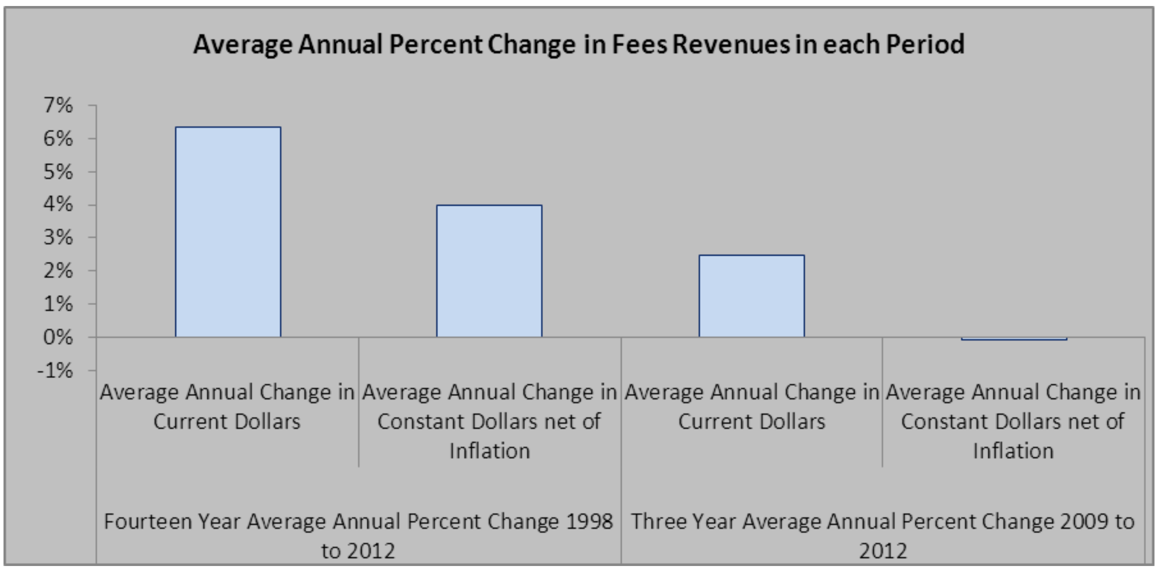
Resident taxes, including automobile registration tax, tobacco tax, and aircraft tax, are paid primarily by residents of the Municipality. These taxes from vehicles, cigarettes, and aircraft revenues are affected by changes in the tax rate and consumer choices. Auto tax revenues are also affected by the age distribution of vehicles and the percent of the population over 65, because seniors receive an exemption from the registration tax for one vehicle. Tobacco tax revenues are affected by the long-term trend decline in per capita use of tobacco and annual CPI adjustments to the tax rate. Increases in the vehicle registration tax rates in 2012 and the tobacco tax rate in late 2004 and 2011 led to substantial increases in these revenues beginning in those years.





Fees paid by residents for Municipal services and facility rental are affected by the amount and types of public services provided by the Municipality, the amount of the fees charged for those services, the amount of Municipal resources and personnel allocated to provide the services, and the amount of these services and rentals that residents choose to use. Since 2009, these fee revenues have increased at a slower rate than previous years.

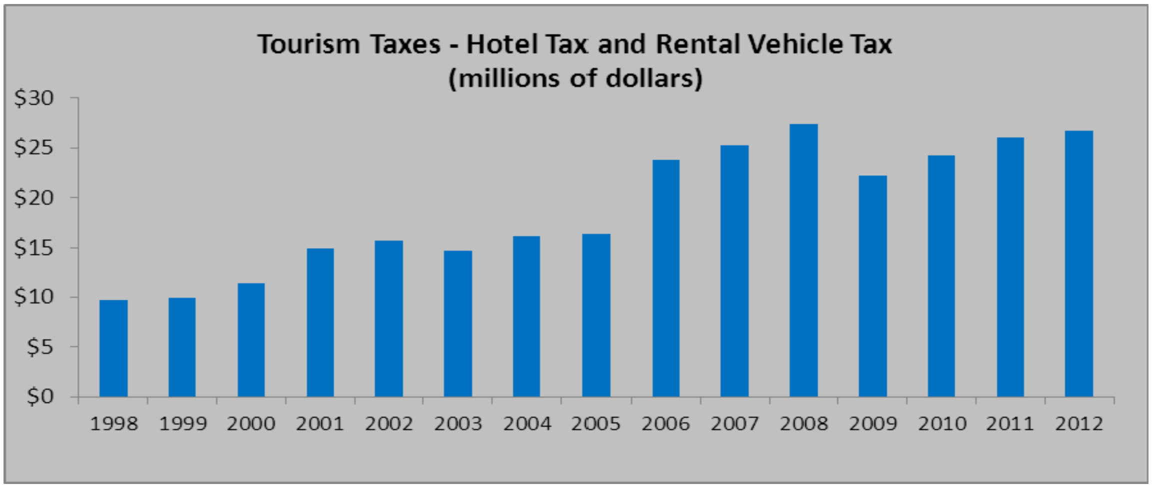


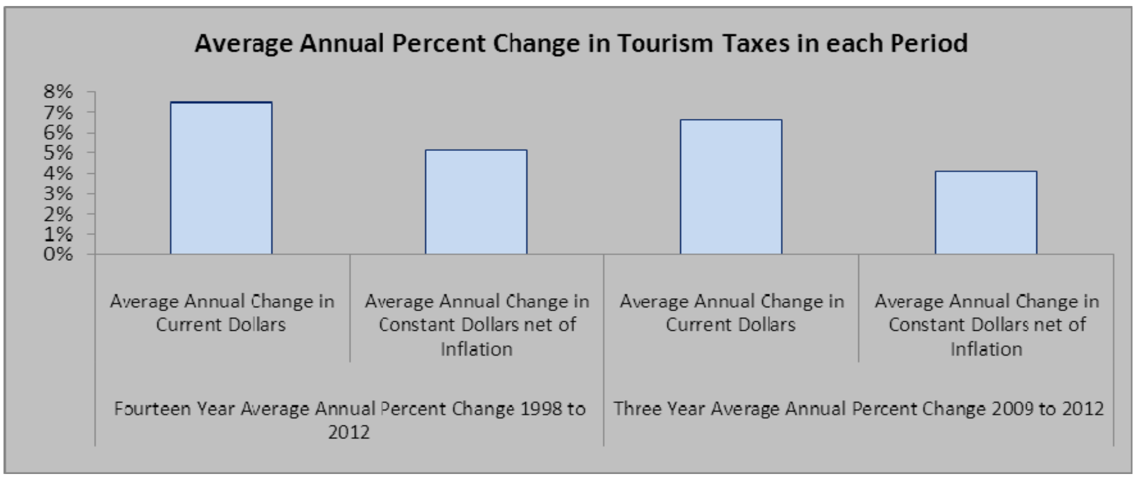


Revenues Determined Primarily by Economic Market Conditions

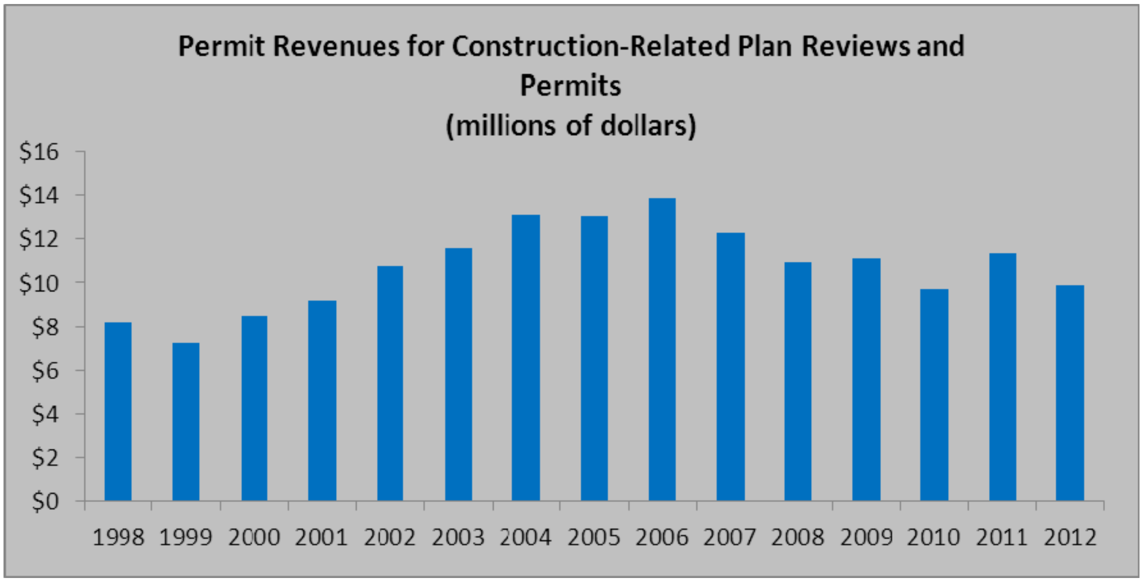
These revenues include all tourism taxes, construction-related permits, and investment earnings. They are primarily affected by changing economic conditions in the tourism market, construction industry, and investment industry respectively. In the long-term, these revenues are also affected by tax rates specified in code and investment policies specified in code or regulations. These revenues contribute about 9% of total general government (100 Fund) revenues, excluding ASD property taxes.

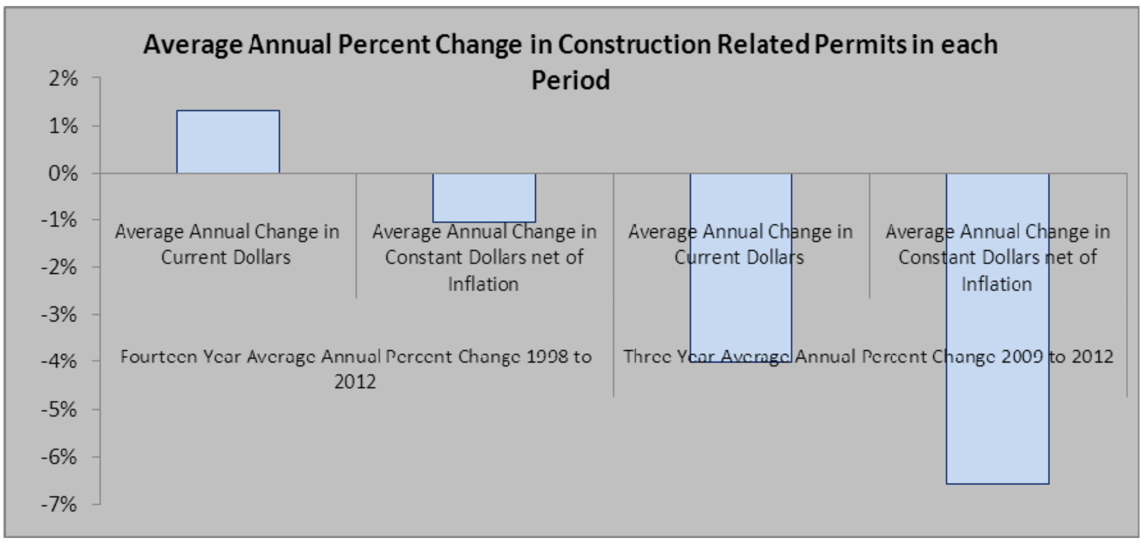
Tourism-related revenues from hotel/motel tax and rental vehicle taxes are affected by the tax rate, the number of visitors coming to Anchorage, and the price charged for a hotel room or rental vehicle. Tourism taxes increased substantially in 2006 due to a tax rate increase, then decreased in 2009 due to the national recession, and gradually recovered the last three years primarily due to price increases at Anchorage hotels.





Construction-related permit revenues are paid by builders for inspections, reviews, and permits to build construction projects. These revenues are affected by the value of permitted building activity, the level of Municipal resources and personnel available to process permits, changes in the computer system to process permits, changes in code requirements for various permits, and the amount of the fee paid for each type of permit. Aside from increases in 2009 and 2011, permit fee revenues have declined in most years since 2006.



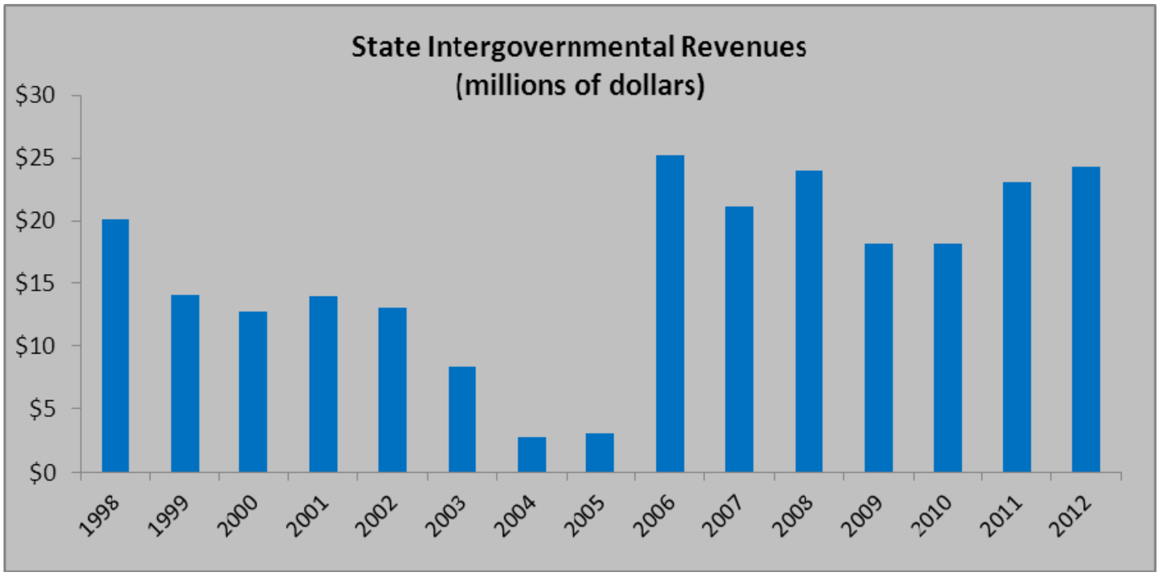


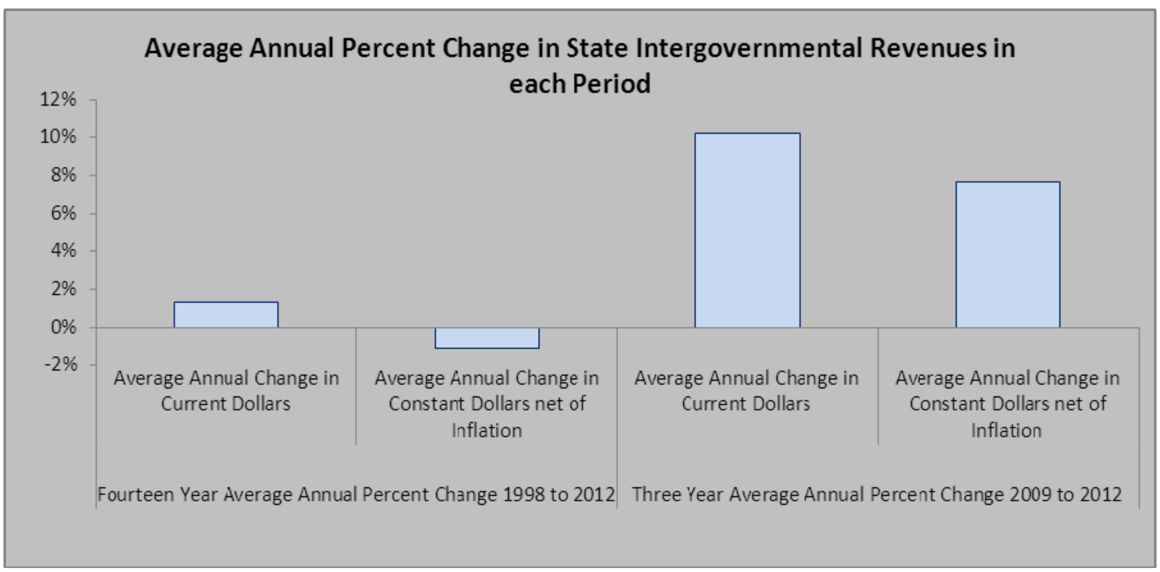
Investment earnings from the Municipal Cash Pool, investment proceeds of Tax Anticipation Notes (TANs), and Construction Pool Investments are affected by the level of Municipal holdings in each type of investment and the market rate of return on those investments. In the long-term these revenues are also affected by Municipal code and policies that guide how we invest Municipal Funds. Due to changes in investment policies implemented in June 2007, investment earnings as of August 2012 have been enhanced by an estimated $57.4 million when comparing “before” and “after” investment strategies employed by the Municipality.

Revenues Determined by Actions of Other Governments

This category includes all State and Federal intergovernmental revenues and State and Federal PILT payments. These revenues contribute about 6% of total revenues.

State Intergovernmental Revenues: Most of the revenues in this category are from the State of Alaska's Municipal Revenue Sharing. These revenues increased substantially in 2006 and continue to remain above $15 million.





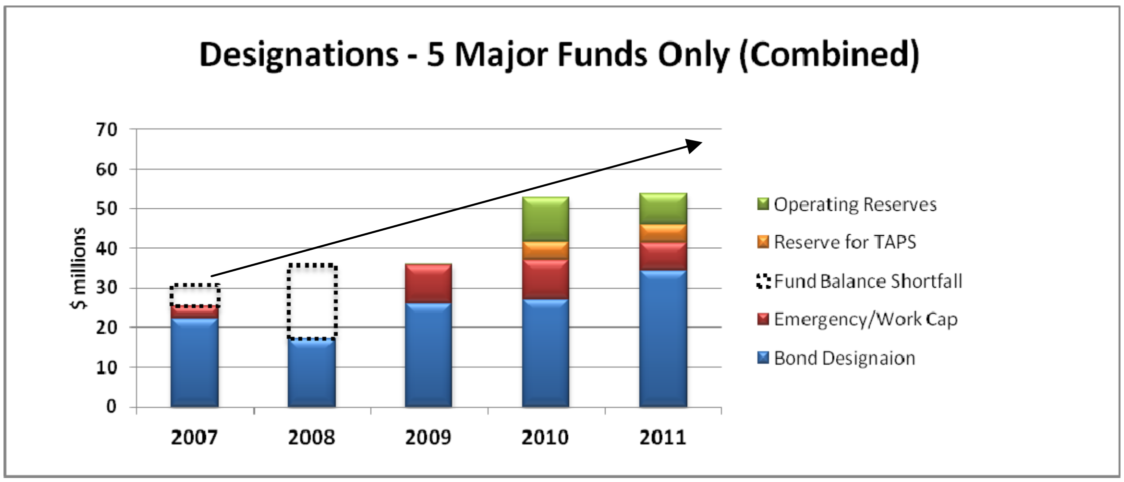
Fund Balance

The financial impact of reducing the expenditure growth trend in 2009 to 2012 enabled the Municipality to restore its fund balance sufficient to earn an upgrade to AA+ rating from Fitch in 2010 and an upgrade to AA+ in August 2012 from Standard and Poor's. Fund balance is the difference between the revenues and expenditures of a governmental fund and is one of the key indicators of financial health. At the end of 2011 the Municipal Assembly improved the internal fund balance policy that requires 10% of select revenues to be set aside to ensure our bond investors that we have a reserve to pay our annual debt service. Additionally another 2% to 3% is set aside for potential emergencies.

As noted in the graph below, in 2007 and 2008, fund balance reserve requirements were not attained. In 2009, fund balance was restored to the Municipal internal policy amount. In 2010 and 2011, additional fund balance reserves were used to fund a police academy, provide property tax relief, invest in efficiency initiatives, and to pay off loans and liabilities that occurred prior to July 2009. Reduced liabilities included retiring of a loan to Municipal Light and Power, and funding to clean up environmental contamination at Kincaid Park and Reeve Boulevard.

The following graph depicts the historical fund balance trends, for the five primary general government funds from 2007 to 2011.

Municipality of Anchorage
Fund Balance
2007 to 2011



MOA Bond Rating

The Municipality currently enjoys the benefits of being a highly rated governmental entity by two rating agencies. The Municipality is rated AA+ by Standard & Poor's (S&P) and AA+ by Fitch ratings, both with a Stable Outlook. These benefits include a low cost of borrowing in the capital marketplace. Rating agencies have long held that a credit rating is a composite of quantitative factors (e.g. financial ratios) and qualitative characteristics, such as strength of management. Local government ratings are based on the following four credit factors:

- Economic Strength,
- Financial Strength,
- Management and Governance, and
- Debt Profile.

In determining a rating, the rating agencies compare the Municipality to other issuers with similar characteristics. The importance of these so-called "peer comparisons" in the credit rating process has risen as the rating agencies face increased scrutiny over the appropriateness and accuracy of their ratings. But while the rating agencies have published reports acknowledging the importance of such peer analysis, it has avoided stating what financial and debt ratio levels correspond to specific rating categories.

Standard & Poor's

On August 24, 2012, the rating agency S&P increased the Municipality's general obligation rating from AA to AA+. Mayor Sullivan, Chief Fiscal Officer Lucinda Mahoney and representatives of the Municipality's financial advisor, First Southwest Company, met with the S&P rating analysts to review the Municipality's finances in anticipation of a general obligation bond issue in September 2012. At that meeting they presented a comprehensive overview of the Municipality's finances and management as well as the state of Anchorage's economy and its relationship to the entire State of Alaska. Mayor Sullivan petitioned a credit rating increase for the Municipality in light of many years of sound fiscal and management policies and the solid local economy.

S&P responded and noted in their report the "strong and improved financial position and policies, as well as the continued diversification of the economic base". The report also noted the Municipality's central role in the State and regional economy, very strong income levels, stable property tax base, and strong fund balances. S&P also cited the improved reserve fund balance policy. In 2011, the Assembly raised the bond to 10% of current year's revenues, plus an additional 2% to 3% for a working capital reserve.

Fitch Ratings

Fitch Ratings' most recent report affirmed the Municipality's AA+ rating and stable outlook, citing various inherent credit strengths that figured prominently in the rating review process. Three key rating drivers identified by Fitch included:

- Healthy financial position which "has improved over the past three years despite economic pressure," including increased fund balances;
- Performance of the local and state economy, including the June 2012 unemployment rate of 6.4% which was two percentage points below the national average; and
- Stable and healthy tax base which "exhibited notable stability through the recent recession".

The Fitch report also included reference to the improved reserve policies. However, Fitch continues to note that the Municipality's "…*current reserve position is somewhat below average for this rating* *level.*" Additionally, the recent report noted that "labor costs are likely to pressure expenditures over the next several years," although the Municipality has flexibility and options to meet these budget challenges.

Fund Balance Discussion

The Municipality's General Obligation rating is AA+ by Fitch ratings. However, they have commented on our somewhat low reserve policy in their reviews. In 2011, our financial advisors from First Southwest Company advocated "a change in the Municipality's fund balance reserve policy such that its ratios would be more in line with those of its peers". As a result of these two circumstances, the Municipal Assembly was requested to and did approve an increase in the fund balance policy, also known as the 'Bond Reserve Designation', from 8.25% of prior year revenues to 10% of current year revenues. The Assembly approved eliminating the Operating Emergency Reserve of 2.5% and replacing it with a Working Capital Reserve in an amount of 2.00% and 3.00% of current year's revenues in the five major funds. In September 2012, both Fitch and S&P commented, in their rating review for the bonds issued that month, upon the Municipality's 'improved fund balance policy' and its contribution to a healthy financial position.

4. FISCAL PROJECTIONS AND STRATEGIES

As we look to the future, Alaskan economic trends are modestly positive, with indications of slow growth. The national economic downturn is slow in its recovery and there is great concern about the prolonged level of more than 8% unemployment. The impact of the national economy and future budgetary decisions by Congress could put additional pressure on Anchorage's economy, although the magnitude and timing of these factors cannot be accurately predicted. Adding to the uncertainty of revenue forecasts are the continued increases in expenses facing the Municipality in 2013 and later. The resulting balancing effort is consequently more complex when attempting to match revenue with the cost of services.

Near- to mid-term, some key potential fiscal threats that could negatively impact projections include:

- Prolonged slow economic conditions including delayed recovery in the construction industry, and increased concerns over the impacts of a recession in Europe;
- Slowdown in the international cargo industry caused by less demand internationally due to weakened or slower growth economies;
- Decreased oil production along with volatility of oil prices, and potential effects on State Revenue Sharing;
- Potential cuts to federal grant and program revenues, including cuts to transportation funding and reduction in Alaska's per capita federal spending levels which have historically been among the highest in the nation and several times greater than the national average per capita allocations;
- Future federal fiscal austerity measures affecting the amount of discretionary personal income and the number of federally-supported jobs in Anchorage, including military;
- Continued increases in labor and health care costs in excess of actual inflation as measured by the Consumer Price Index;
- Prolonged low interest return environment for Municipal Cash Pool investments; Potential negative final court ruling associated with the Trans-Alaska Pipeline (TAPS) and Enstar property tax litigation which, if both sides' claims were split, could result in millions of dollars plus court-ordered interest cost;
- Unanticipated legal liabilities; and
- Year-to-year adjustments in the actuarial required contribution to the Police and Fire Retirement System pension plan, due to volatility in the market value of invested assets.

Near- to mid-term, some key potential fiscal opportunities that could positively impact projections include:

- An acceleration in the nation's economic recovery;
- Stable State and Federal revenues;
- Re-negotiated labor contracts with lowered baseline and future costs to conform with actual historical inflation;
- A positive final court ruling in favor of the Municipality regarding all outstanding property tax years associated with the TAPS litigation; and
- Further recovery and stability in the investment market supporting future reductions in the actuarial required contribution to the Police and Fire Retirement System retirement plan.

The single largest expense in the general government operating budget are the salaries and benefits associated with personnel. Personnel costs continue to increase at a rate that is not sustainable on a long-term basis. The primary goal over the next two years is to renegotiate labor contracts with a lower baseline salary, and a benefit structure that is shared more equitable between employee and employer.

Employees of the Municipality are represented by the labor organizations shown in the following table. Management of the Municipality will be working diligently with the labor organizations over the next few years to bring labor costs back to a sustainable level. The Six Year Fiscal Program assumes labor increases will be reduced as contracts are re-negotiated.

Labor Organization	Expiration	Membership(1)
Anchorage Municipal Employees Association	12/31/13	549
Anchorage Police Department Employees Association	12/31/14	491
International Association of Fire Fighters	12/31/14	353
International Brotherhood of Electrical Workers/NECA	10/31/13	236
IBEW / Mechanics	12/31/13	63
International Union of Operating Engineers	06/30/13	149
Public Employees Local 71	06/30/13	94
Plumbers and Pipefitters	06/30/10	139
Teamsters	12/31/13	109
Non-Represented / Executives / Assembly Employees	N/A	688

(1) As of August 3, 2012.

Long-term Fiscal Challenge

A long-term fiscal plan to moderately increase taxes and allow expenses to continually increase, based on the current union agreements and estimated inflation rates, will result in continued, unsustainable deficits into the future. The cost structure of the Municipality is structurally unbalanced and cannot be maintained without constant cuts to services. If labor costs increase 5% per year and revenues increase at 3% per year, the Municipality will be required to manage deficits in the range of $4 to $26 million per year.

Mayor's Plan for Fiscal Sustainability

The Mayor continues to plan for long-term fiscal stability and sustainability in a manner that maintains the current level of services to citizens and ensures appropriate services are delivered efficiently. The Administration strives to manage funding sources by matching ongoing resources with continuing services. In order to achieve that, additional on-going revenues are needed to offset increasing costs, mostly associated with labor contracts. The 2013 Proposed General Government Operating Budget assumes that additional revenues are not available and, as a result, significant structural changes will need to be made to reduce the size of government. However, due to a recent change by the State of Alaska to increase its funding to the Anchorage School District (ASD), additional property tax revenues are available to general government. The Assembly has a one-time opportunity to make a policy decision to utilize a portion of taxes that, under the 2013 Tax Limit Calculation, can not be collected for ASD.

The Municipality has one Tax Limit Calculation that defines the total amount of property taxes that can be collected. Historically, General Government and ASD have separately calculated the taxes and tax limit for their respective operations. The result has been approximately 50% of total taxes have been collected for each organization. Because the State of Alaska has increased its contribution to ASD and limited the amount of local taxes that can be used for operations, there will be taxing capacity that cannot be used by ASD. In 2013, the Assembly can allocate a larger portion of the total tax to general government. This is a significant policy decision that the Assembly must make during the 2013 budget process.

The Mayor supports a larger allocation of the total tax to general government in order to maintain current level of services. If the Assemble decides to make no changes to property tax revenue composition by organization, the tax cap will be permanently reduced, less revenues will be available long-term and services to citizens will be significantly reduced.

To assist the Assembly with their decision about the use of property tax revenues, the Mayor will present two financial budgets/scenarios to the Assembly for approval. As a result, two Six Year fiscal scenarios have been developed.

1) <u>Plan A</u> – Plan A assumes that additional revenues are NOT available to general government to fund current level of services. This plan will result in significant reductions

to the size of government and services to citizens. The details of Plan A are provided in the 2013 General Government Operating Budget book and a Six Year Forecast has been developed based upon adoption of Plan A.

2) Plan B - Plan B assumes that the Assembly votes to utilize a portion of available property tax capacity that cannot be used to fund education, but can be used to fund general government services. As of this writing, it is estimated that an additional $14 million in property taxes are available for general government services. The Six Year Fiscal Plan B includes a preliminary analysis of an additional $12 million in property tax revenues in 2013. The plan assumes a 3% increase in property tax revenues per year. This has been developed for illustrative purposes.

It is important to note that in Plan A and Plan B, the city is structurally balanced, with minimal deficits to address in future years.

Plan A

The Mayor's Fiscal Plan A enables a balanced budget by reducing the size of government and increasing property taxes to 3% over the forecast period. The Mayor's goal is to continue to seek efficiencies and to operate the Municipality in a frugal manner. Additionally, as the collective bargaining agreements expire in 2013 and 2014, the Mayor plans to adjust labor costs to a sustainable level that is more closely aligned with revenues. If the 2013 proposed budget Plan A is approved by the Assembly, in combination with downward adjustments to the cost of labor and a 3% property tax increase each year, the Municipality will be able to generally operate in a balanced manner with small deficits ranging from $2 million to $3 million over the years.

To provide sound fiscal planning realizing known future expenses, costs will be adjusted downward to achieve goals of the community in a balanced manner. The Mayor is currently implementing projects to enable a more efficient government. These projects will involve changes that will include: organization structure, streamlined business processes and increased use of technology.

Led by the Mayor, a number of initiatives have begun to consolidate staff, streamline processes and new technology in order to reduce the cost to deliver services. The largest initiative is a new enterprise-wide financial system with SAP as the vendor. This initiative will significantly change many of the administrative business processes within the Municipality. The Municipality currently uses an outdated version of PeopleSoft. In 2003, the maintenance fees associated with the software were discontinued and as a result the PeopleSoft system could not be upgraded.

A new online time tracking system with Kronos as the vendor, was implemented in 2012 with final completion aligned with the implementation of SAP. The system automates the capture of time data.

Prior to the implementation of Kronos, timekeepers were employed throughout the Municipality to manually enter data. A new property tax assessment and billing system has been selected. The system implementation will begin in 2013. These major investments in new systems and business processes will serve to significantly improve the efficiency and quality of delivered services while at the same time leading to reduced long-term operating costs.

Other efficiency initiatives will continue to be undertaken throughout many functions of government to further reduce the cost and improve the delivery of services to the public.

In Plan A revenues and expenses are prudently held in balance over the six-year projection period. As needed, adjustments to the plan will be made as specific business actions are implemented by departments.

Expenditure Forecasts

In Plan A, the growth of expenditures is reduced to align with revenues. In 2013, significant expenditure reductions must occur to enable a balance between revenues and expenses. Plan A assumes a significant reduction in headcount; 187 filled and vacant positions. Areas impacted by the reductions include police, fire, public transportation, parks, recreation, public works, library and grants to non-profit organizations. These reductions are described in detail in the 2013 General Government Operating Budget book.

Plan A assumes the collective bargaining agreements will be modified in 2013 and 2014 to reflect sustainable labor increases. Professional services and discretionary spending will continue to be managed in a efficient and frugal manner.

Personnel costs continue to be the single largest category of expense and represent an increase in the 2014 cost structure. Labor contracts approved prior to 2009 are incorporated reflecting cost increases of 5% in 2014 and then downward to an inflationary amount in 2015 to 2018 of 3% per year. Additionally, this fiscal scenario assumes that the cost to provide health care to employees will continue to increase throughout the forecast period.

Debt service costs vary year to year based on a combination of debt retirement, debt refunding and newly issued debt approved by voters. The Mayor’s objective is to limit the increase in debt in future years such that more principal is paid off than is added. In aggregate, the six-year projection cites a net overall pay down of debt during the forecast period. Additionally, a general obligation bond refunding in 2014 is included in the forecast.

The downturn in the stock market in 2008 resulted in an actuarial report for the Police and Fire Retirement System showing an unfunded liability of $101 million. As of the April 2012 actuarial report, the pension plan’s overall funding status ratio was 77% after reaching 84% the year before. As a result the Municipality's required annual contribution will increase from the $6.2 million paid in 2012 to $10.0 million due in 2013. The unfunded projected liability of all three plans per the actuary's most recent report stands at $92 million, thereby further delaying the period of recovery and adding to the long-term fiscal challenges for the Municipality. This fiscal plan assumes a minor reduction in the annual contribution.

Inflation is expected to increase moderately over the forecast period. All non-labor expenditures were adjusted upward by 2.5% to 3% per year to adjust for inflationary increases associated with labor contracts.

Revenue Forecasts

Local revenue sources are projected to increase modestly as a result of recovering from the recession. Economic forecasts provided from independent organizations such as AEDC, UAA ISER group, and others were used as the foundation for the forecasts. In 2014, these local revenue sources are expected to slowly and steadily grow at an overall assumed level of 2% to 3% per year, which is consistent with the planned growth of labor. The growth rate assumption is driven heavily by the policy decisions regarding the growth of property tax revenues and other tax revenue sources which are all subject to tax cap constraints. This scenario assumes property taxes increase by 3% per year, but remain less than the tax cap.

State Revenue Sharing, which is largely dependent on surpluses existing at the State level, has in years past been unstable and difficult to predict due to volatility in oil prices year to year. The projection model assumes that State Revenue Sharing remains stable and flat throughout the projection period.

Revenues from Permanent Fund Dividend garnishments, which support Anchorage Police Department operations, are expected to experience further decline in 2013 with a notable rise expected thereafter, due to the lingering effect of the severe market value decline in the State Permanent Fund earnings in 2008 and its effect on the five-year average income that determines distributions. Similarly, distributable earnings from the Municipality's mini permanent fund (i.e., MOA Trust) were 21% less beginning in 2010 and projected to decline an additional 8% by 2013 before flattening and returning to slow growth.

The long-term plan has minor deficits over the years.

The Mayor's Six Year Program Plan A is forecasted as follows:

SIX YEAR FISCAL PROGRAM - PLAN A
PROJECTIONS OF REVENUES & EXPENDITURES ($ 000's)
2012 to 2018

	PROJECTIONS						
Six Year Budget Projection	2012 B	2013	2014	2015	2016	2017	2018
REVENUES							
Federal Revenues	933 -56%	1,607 72%	1,724 7%	1,733 1%	1,743 1%	1,753 1%	1,762 1%
State Revenues	24,091 45.2%	16,517 -31%	16,553 0%	16,568 0%	16,584 0%	16,600 0%	16,616 0%
Local Revenues	146,720 -0.4%	154,089 5%	156,987 2%	161,461 3%	164,499 2%	167,493 2%	170,433 2%
Property Taxes	241,647 0.3%	249,180 3.1%	256,650 3.0%	264,350 3.0%	272,280 3.0%	280,450 3.0%	288,870 3.0%
Fund Balance Applied	11,911 32.7%	(2,954) -125%	1,000 -134%	1,000 0%	1,000 0%	1,000 0%	1,000 0%
IGC's Outside General Gvt.	29,281 7%	30,184 3%	31,100 3%	32,000 3%	33,000 3%	34,000 3%	35,000 3%
TOTAL REVENUES	454,583	448,622	464,014	477,113	489,106	501,296	513,681
Change from prior year	3%	-1%	3%	3%	3%	2%	2%
EXPENDITURES							
Personal Services	247,237 2%	246,034 0%	258,335 5%	266,085 3%	274,068 3%	282,290 3%	290,759 3%
Debt Service	56,848 10%	51,754 -9%	54,720 6%	54,340 -1%	56,328 4%	58,193 3%	59,984 3%
Other	150,498 1%	150,835 0%	153,372 2%	155,999 2%	158,858 2%	161,963 2%	166,175 3%
Reductions/Efficiencies	-	-	(2,410)	-	(150)	(1,150)	(3,240)
TOTAL EXPENDITURES	454,583	448,622	464,017	476,424	489,103	501,296	513,678
Change from prior year	3%	-1%	3%	3%	3%	2%	2%
REVENUES OVER/(UNDER) EXPENDITURES	-	(0)	(3)	689	3	(0)	4
cumulative	0	(0)	(3)	685	689	688	692

Plan B – Recommended by Mayor

The Mayor's Fiscal Plan B incorporates the same assumptions as Plan A, plus it assumes that the Assembly votes to utilize a portion of available property tax capacity that cannot be used to fund education, but can be used to fund general government services. As of this writing, it is estimated that an additional $14 million in property taxes may be available for general government services.

The Six Year Fiscal Plan B includes a preliminary analysis of an additional $12 million in property tax revenues in 2013. This increase in property tax represents an 8% increase over 2012 to general government, but when combined with a 2% reduction in education property taxes, the total combined increase to tax payers is 3%. In 2013, an additional $11 million has been added to labor and an additional $1 million has been added to non-labor. Like Plan A, the plan assumes a 3% increase in property tax revenues per year. Additionally, Plan B assumes reduced labor increases as the collective bargaining union contracts expire and are re-negotiated. This plan has been developed for illustrative purposes.

As noted below, this plan also results in minor deficits over the six year period.

SIX YEAR FISCAL PROGRAM - PLAN B
PROJECTIONS OF REVENUES & EXPENDITURES ($ 000's)
2012 to 2018
PLAN B - Assume additional $12M in Property tax and additional expenses in 2013

	PROJECTIONS						
Six Year Budget Projection	2012 B	2013 Plan B	2014	2015	2016	2017	2018
REVENUES							
Federal Revenues	933	1,607 72%	1,724 7%	1,733 1%	1,743 1%	1,753 1%	1,762 1%
State Revenues	24,091	16,517 -31%	16,553 0%	16,568 0%	16,584 0%	16,600 0%	16,616 0%
Local Revenues	146,720	154,089 5%	156,987 2%	161,461 3%	164,499 2%	167,493 2%	170,433 2%
Property Taxes	241,647	261,180 8.1%	269,010 3.0%	277,080 3.0%	285,400 3.0%	293,960 3.0%	302,780 3.0%
Fund Balance Applied	11,911	(2,954) -125%	1,000 -134%	1,000 0%	1,000 0%	1,000 0%	1,000 0%
IGC's Outside General Gvt.	29,281	30,184 3%	31,100 3%	32,000 3%	33,000 3%	34,000 3%	35,000 3%
TOTAL REVENUES	454,583	460,622	476,374	489,843	502,226	514,806	527,591
Change from prior year		1%	3%	3%	3%	3%	2%
EXPENDITURES							
Personal Services	247,237	257,034 4%	269,885 5%	277,982 3%	286,321 3%	294,911 3%	303,758 3%
Debt Service	56,848	51,754 -9%	54,720 6%	54,340 -1%	56,328 4%	58,193 3%	59,984 3%
Other	150,498	151,835 1%	154,397 2%	157,049 2%	159,936 2%	163,070 2%	167,312 3%
Reductions/Efficiencies	-	-	(2,630)	-	(360)	(1,370)	(3,460)
TOTAL EXPENDITURES	454,583	460,622	476,372	489,371	502,225	514,804	527,594
Change from prior year		1%	3%	3%	3%	3%	2%
REVENUES OVER/(UNDER) EXPENDITURES	-	(0)	2	472	2	2	(3)
cumulative	0	(0)	2	473	475	477	474

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