



Fairbanks North Star Borough

Office of the Mayor

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May 20, 2004

The Honorable Hank Bartos
Presiding Officer
Fairbanks North Star Borough Assembly

Dear Mr. Bartos:

From Adam Smith the Scottish economist / moralist; as published in 1776, The Wealth of Nations:

“According to the system of natural liberty, the sovereign has only three duties to attend to; first, the duty of protecting the society from the violence and invasion of other independent societies; secondly, the duty of protecting so far as possible, every member of society from the injustice or oppression of every other member of it, or the duty of establishing an exact system of justice, and thirdly; the duty of erecting and maintaining certain public institutions, which can never be for the interest of any individual, or small number of individuals to erect and maintain.

The tax which each individual is bound to pay, ought to be certain, and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor...”

Smith is generally regarded as the originator of modern economic thought. Many of his ideas and observations have served as the basis from which more contemporary economists have begun consideration. John Maynard Keynes later wrote, *“The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed, the world is ruled by little else.”*

And so it is with this Borough budget: the sound ideals of Adam Smith, which have withstood the test of time, will be adhered to: public (Borough) institutions will only provide for that which the public demands and cannot be served by a competitive private sector, and our tax policy will be clear and easily understood by the public for whom we work.

Additionally, this budget has been formulated to ensure stability and a means to a standard of excellence.

Further, this budget ascribes to the most basic law of economics; namely, that one cannot get something for nothing. For this reason, each function and adherent department within the Borough has been evaluated and a determination concluded regarding efficiency and effectiveness. Accordingly, budgetary adjustments have been made. These adjustments have been well considered and are but the first step toward efficient delivery of excellence. Where necessary, departmental budgets have been increased. Over the course of the next year, a comprehensive organizational structure review will be completed. Our goal at the conclusion of that review is a fully understood determination of the feasibility of potential cost saving structural changes.

Beyond the requisite goal of effective, efficient and excellent delivery of Borough provided services, this budget is designed to deliver economic growth at an accelerated pace. Growth provides individual and community opportunity. It also applies significant downward pressure to the burden of the individual

property taxpayer. Succinctly put, without economic growth, our community will not have the financial means by which to meet its needs.

This budget will deliver economic growth by:

- Providing a direct grant to the Fairbanks Convention and Visitors Bureau
- Providing a direct grant to the Fairbanks Economic Development Corporation
- Providing for a flexible economic development, "awaiting budget" line item
- Allocation of some additional leverage grant funding for the Health and Social Services Commission
- Allocation of anticipated grant matching capability
- Allocation of an adequate contribution to education

Each of these budgetary allocations is specific to necessary growth components of the overall borough economy. Each of them is integral to a comprehensive approach, which will allow our community to prosper and possess the means to meet our needs.

Another basic tenet of economic growth, and therefore this budget, is the necessity to broaden the tax base; which, given the tax cap, has the effect of stabilizing, if not lowering, property taxes. Stable property tax rates are essential to economic growth. Stability allows for a measure of certainty for development planners and prospective homeowners and home improvers who, as a result, can predict a more positive feasibility and affordability of their projects and their homes. By instituting a tobacco excise tax and an alcohol tax, this budget provides for a broadening of the tax base. It is important to note that taxes are not raised, rather, the tax base is broadened; an action that will indeed provide stability and economic growth.

The goals that make up the basis of this budget are:

1. Delivery of Borough provided services to a standard of excellence
2. Efficient delivery of Borough provided services, and
3. Economic growth

These are reasonable and attainable goals. They are consistent with the vision of the Fairbanks North Star Borough as a prosperous, self-reliant and forward-moving community; one in which we can all be proud to live.

Sincerely,



N. Jim Whitaker
Mayor, Fairbanks North Star Borough

Attachments:

Budget Ordinance – FNSB Ordinance No. 2004-20