

## A P P E N D I X I

### DEFINITIONS OF TERMS AS USED IN THIS REPORT

1. Capital Expenditure is a payment from either bond funds or current revenue for a capital improvement.
2. Capital Improvement is any non-routine project or purchase having an estimated total cost of \$5,000 or more or an estimated life in excess of five years.
3. Capital Improvement Program is a comprehensive schedule of the timing and nature of all capital projects, purchases and payments by the City over a period of several years, together with supporting commentary and calculations. It is a declaration of general policy but subject to revision and incorporation of new information.
4. Capital Budget is a comprehensive schedule of projects, purchases and payments by the City in a single year, particularly the year current or the year forthcoming. The first year of a capital improvement program is a capital budget. It is made as nearly final as possible, and subject to revision only in unusual circumstances.
5. Debt Service is the annual payment of interest and amortization on a bond or group of bonds.
6. Operating Expenditure is payment for any item other than a capital improvement or debt service.
7. Tax Rate Equivalent is the property tax rate, expressed as a number of mills, which would be needed to finance an individual item or group of items if the City's other revenues were to be divided up in exactly the same way as the property tax.

## A P P E N D I X II

### ASSUMPTIONS AND PROJECTIONS

Detailed historical data on population, property valuation, general fund operating expenditures and other factors affecting the fiscal growth of the City were compiled for the past 13-year period, and considerable effort was made to explain their interrelations. The following generalizations were derived to aid in projecting the necessary quantities:

1. Past capital expenditures have been by far the least stable part of the budget. When they are subtracted out of the total General Fund Expenditures, the remaining costs, defined herein as "operating expenditures", follow a relatively smooth trend.
2. The trend of operating costs adjusts rather gradually to a change in the level of demand for services. This is evidenced by the smooth trend of increase through the years 1953-60 despite abrupt changes in demand for services, imposed by annexation. Operating costs have increased considerably more rapidly than the population served in the three years since 1960, some 30% as opposed to 7-1/2%.
3. Non-tax revenues, while variable from year to year, relate fairly closely to population in the long run. Many contingencies and windfalls enter this group.
4. Property valuation, upon which tax revenues are based, increased less rapidly than population in the years of greatest growth and annexation since 1960, however, it has shown a steady upward trend somewhat greater than the rate of population increase. This increase is largely in real property, not personal property, and evidently relates to the more substantial nature of recent commercial and residential construction.

The necessary projects for the 1964-69 period were based upon a parallel set of assumptions:

1. Population within the City will continue to increase at approximately 2-1/2% per year. Non-tax revenues will increase at the same rate.
2. Property tax revenues will continue to increase at the recent 7% per year, as obsolescent structures continue to be replaced or modernized and a 10-mill levy is maintained.

3. Operating budget costs have increased considerably more rapidly than population in the years since 1960. This has been feasible due to the very rapid increase in non-tax revenues in the same period. However, non-tax revenues are erratic and should not be expected to increase more rapidly than population in the long run unless definite evidence is found to the contrary. Therefore, it is assumed that the operating budget growth will be held approximately in proportion with total revenues as projected, or that any considerably more rapid increase will be financed by additional revenues such as an increase in the property tax mill rate.
4. Finally, it is assumed for purposes of compiling the capital program that there will be no annexation during the six-year period, and that there will be no major disasters or political disruptions.

These assumptions are interpreted as numbers of dollars and rates of change on Table V. It should be noted that the operating expenditures and capital expenditures for the 1963 figures (upon which the projections are based) have been adjusted to reflect the definitions given in Appendix I. These definitions tend to reduce the total of capital expenditures otherwise reported in other budget documents by about 3% since small and routine items are eliminated.

TABLE V

POPULATION, REVENUE AND EXPENDITURE PROJECTIONS

|          | Population <sup>1</sup> | Levy @<br>10 Mills | Non-Tax<br>Revenue | Total<br>Revenue | OPERATING EXPENDITURE<br>Amount | Tax Equiv. | CAPITAL EXPENDITURE<br>Amount | Tax Equiv. |
|----------|-------------------------|--------------------|--------------------|------------------|---------------------------------|------------|-------------------------------|------------|
| 1963     | 47,500                  | 2,219,500          | 3,764,000          | 5,983,500        | 4,302,265                       | 7.17       | 1,681,237                     | 2.83       |
| % Change | 2½%                     | 7%                 | 2½%                |                  |                                 |            |                               |            |
| 1964     | 48,600                  | 2,377,000          | 3,858,000          | 6,235,000        | 4,492,000                       | 7.22       | 1,743,000                     | 2.78       |
| % Change | 2½%                     | 7%                 | 2½%                |                  |                                 |            |                               |            |
| 1965     | 49,800                  | 2,544,000          | 3,954,000          | 6,498,000        | 4,689,000                       | 7.22       | 1,809,000                     | 2.78       |
| % Change | 2½%                     | 7%                 | 2½%                |                  |                                 |            |                               |            |
| 1966     | 51,000                  | 2,723,000          | 4,043,000          | 6,766,000        | 4,884,000                       | 7.22       | 1,882,000                     | 2.78       |
| % Change | 2½%                     | 2½%                | 2½%                |                  |                                 |            |                               |            |
| 1967     | 52,200                  | 2,791,000          | 4,144,000          | 6,935,000        | 5,008,000                       | 7.22       | 1,927,000                     | 2.78       |
| % Change | 2½%                     | 2½%                | 2½%                |                  |                                 |            |                               |            |
| 1968     | 53,500                  | 2,861,000          | 4,248,000          | 7,109,000        | 5,133,000                       | 7.22       | 1,976,000                     | 2.78       |
| % Change | 2½%                     | 2½%                | 2½%                |                  |                                 |            |                               |            |
| 1969     | 54,800                  | 2,933,000          | 4,354,000          | 7,287,000        | 5,263,000                       | 7.22       | 2,024,000                     | 2.78       |

<sup>1</sup> Population estimates for this purpose are lower than the official City population estimates. Population estimates are under continuing review by the Planning Department; the lower estimates are used in the interest of conservatively projecting expenditures.

## A P P E N D I X    I I I

### PROJECTED REVENUES FOR CAPITAL IMPROVEMENTS

#### A. General Fund Revenues (and Programming Methodology)

The Capital Improvements Program was arrived at largely by a process of "cut and try" rather than by simple application of a perfect formula. The type of calculations outlined below were repeated many times with different policies and schedules. The effect of the calculations is not to dictate a final inflexible program but to demonstrate the fiscal impact of the program which has been developed.

The projections of revenues and operating costs, Table V, provide a basis for estimating the remaining amount available for cash outlay and debt service.

Debt service charges include obligations incurred in the current year, as well as older obligations still outstanding. Payment schedules on debts incurred through July, 1963 are summarized in the second column of Table VI. The yearly effects of subsequent bond issues as detailed in Table VII are entered in the next six columns in order of the year the debt is to be incurred.

The program of General Obligation and Improvement District bond sales, Table VII, has been planned to finance the projects indicated.

On Table VII the recommended program is compared to projections of past expenditure trends. "Cost of Improvements" is the sum of new bond sale proceeds and cash spent for capital improvements from current revenues. It does not include aid from other funds or agencies, but represents the net cost of improvements after aid has been deducted. "Charges to City" is the sum of debt service and cash spent for capital improvements. "Tax Rate Equivalent" is an expression of the tax cost of "Charges to City". It is calculated by dividing the cost figure by total projected revenues - including non-tax revenues - for that year, and multiplying the quotient by the assumed 10-mill tax rate.

#### B. City Port Revenues

The revenue projections given below in Table IX are taken from Chart I of Council Memorandum 63-392, August 2, 1963. That memorandum contained a detailed justification which has been omitted here. The amount budgeted as Expenses: Capital is taken as the amount available on the assumption that the deficit shown for 1964 will be covered by a short-term loan. Further projection of revenues cannot be made until some experience is gained with new facilities to be constructed in 1963-64.

TABLE VI

|      | Type of<br>Bonds | Bond Sale | DEBT SERVICE PROJECTIONS TO 1969 |        |         |         |        |         | Total     | % of<br>Revenues |
|------|------------------|-----------|----------------------------------|--------|---------|---------|--------|---------|-----------|------------------|
|      |                  |           | Before<br>1964                   | 1964   | 1965    | 1966    | 1967   | 1968    |           |                  |
| 1964 | G.O.             | 150,000   |                                  | 12,000 |         |         |        |         |           |                  |
|      | S.A.             | 1,150,000 |                                  | 58,400 |         |         |        |         |           |                  |
|      | Tot.             | 1,300,000 | 1,504,000                        | 70,400 |         |         |        |         | 1,574,400 | 25.3             |
| 1965 | G.O.             | 851,000   |                                  | 11,800 | 68,100  |         |        |         |           |                  |
|      | S.A.             | 1,150,000 |                                  | 57,400 | 58,400  |         |        |         |           |                  |
|      | Tot.             | 2,001,000 | 1,411,000                        | 69,200 | 133,500 |         |        |         | 1,606,700 | 24.7             |
| 1966 | G.O.             | 975,000   |                                  | 11,600 | 66,800  | 78,000  |        |         |           |                  |
|      | S.A.             | 1,150,000 |                                  | 56,500 | 57,400  | 58,400  |        |         |           | 22.4             |
|      | Tot.             | 2,125,000 | 1,183,000                        | 68,100 | 124,200 | 136,400 |        |         | 1,512,000 |                  |
| 1967 | G.O.             | 285,000   |                                  | 11,300 | 65,500  | 76,600  | 22,800 |         |           |                  |
|      | S.A.             | 1,150,000 |                                  | 55,500 | 56,500  | 57,400  | 58,400 |         |           |                  |
|      | Tot.             | 1,435,000 | 956,000                          | 66,800 | 122,000 | 134,000 | 81,200 |         | 1,360,000 | 19.6             |
| 1968 | G.O.             | 625,000   |                                  | 11,100 | 64,200  | 75,100  | 22,400 | 50,000  |           |                  |
|      | S.A.             | 1,150,000 |                                  | 54,500 | 55,500  | 56,500  | 57,400 | 58,400  |           |                  |
|      | Tot.             | 1,775,000 | 845,000                          | 65,600 | 119,700 | 131,600 | 79,800 | 108,400 | 1,350,000 | 19.0             |
| 1969 | G.O.             |           |                                  | 10,900 | 63,000  | 73,600  | 22,000 | 49,000  |           |                  |
|      | S.A.             | 1,140,000 |                                  | 53,600 | 54,500  | 55,500  | 56,500 | 57,400  | 57,800    | 18.3             |
|      | Tot.             | 1,140,000 | 779,000                          | 64,500 | 117,500 | 129,100 | 78,500 | 106,400 | 57,800    | 1,333,000        |

<sup>1</sup> Special Assessment (S.A.) bonds are differentiated from other General Obligation (G.O.) bonds.

Projected Special Assessment debt service is based on the City's paying 1/4 of the cost of street improvements and 1/3 of the cost of sewer and water improvements plus the costs of improvements benefiting publicly owned land and wider streets or bigger pipes serving more than just the immediate property benefited.

Projected General Obligation debt service assumes an average 20-year amortization period at 3% annual interest.

TABLE VII

## PROPOSED BOND SALE PROGRAM

|                        | 1964      | 1965      | 1966      | 1967      | 1968      | 1969      |
|------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| <u>Improve. Dists.</u> |           |           |           |           |           |           |
| 24-28                  |           |           |           |           |           |           |
| Streets & Storm        | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| 29-46                  |           |           |           |           |           |           |
| Sanitary Sewerage      | 150,000   | 150,000   | 150,000   | 150,000   | 150,000   | 140,000   |
| <u>General</u>         |           |           |           |           |           |           |
| 6. Fire Stn.           |           | 225,000   |           |           |           |           |
| 47. Warming Shed       |           | 100,000   |           |           |           |           |
| 55-61. City Buildings  | 50,000    | 50,000    | 50,000    | 50,000    |           |           |
| 62. Refuse Equipt.     | 100,000   | 200,000   |           |           |           |           |
| 75. Branch Library     |           |           | 120,000   |           | 125,000   |           |
| 86. Ice Arena          |           | 90,000    |           |           |           |           |
| 91. Swim Pool          |           |           |           | 235,000   |           |           |
| 96. Eastchester        |           |           |           |           |           |           |
| Urban Renewal          |           |           | 205,000   |           |           |           |
| 99-101. Pier Extension |           |           | 300,000   |           |           |           |
| 100. Ocean Dock Rd.    |           | 186,000   |           |           |           |           |
| 102. Port Land         |           |           |           |           |           |           |
| Development            |           |           |           |           | 500,000   |           |
| 103. Small Boat        |           |           |           |           |           |           |
| Harbor                 |           |           | 300,000   |           |           |           |
| TOTALS                 | 1,300,000 | 2,001,000 | 2,125,000 | 1,435,000 | 1,775,000 | 1,140,000 |

TABLE VIII

RELATIONSHIP OF RECOMMENDED GENERAL FUND PROGRAM TO AVERAGE PAST RATE OF CAPITAL EXPENDITURE  
Charges to City

|      |             | Tax Rate<br>Equiv. | Amount    | Debt Svc. | Bond Proceeds | Cash Per<br>Improvements | Cost of<br>Improvements |
|------|-------------|--------------------|-----------|-----------|---------------|--------------------------|-------------------------|
| 1964 | Recommended | 2.78               | 1,742,843 | 1,574,000 | 1,300,000     | 168,843                  | 1,468,843               |
|      | Average     | 2.78               | 1,743,000 |           |               | 169,000                  | 1,469,000               |
| 1965 | Recommended | 2.76               | 1,793,093 | 1,607,000 | 2,001,000     | 186,093                  | 2,189,093               |
|      | Average     | 2.78               | 1,809,000 |           |               | 202,000                  | 2,203,000               |
| 1966 | Recommended | 2.68               | 1,810,743 | 1,512,000 | 2,125,000     | 298,743                  | 2,423,743               |
|      | Average     | 2.78               | 1,882,000 |           |               | 370,000                  | 2,495,000               |
| 1967 | Recommended | 2.60               | 1,804,168 | 1,360,000 | 1,435,000     | 444,168                  | 1,779,168               |
|      | Average     | 2.78               | 1,927,000 |           |               | 567,000                  | 2,002,000               |
| 1968 | Recommended | 2.58               | 1,836,744 | 1,350,000 | 1,775,000     | 486,744                  | 2,361,744               |
|      | Average     | 2.78               | 1,976,000 |           |               | 626,000                  | 2,761,000               |
| 1969 | Recommended | 2.64               | 1,918,288 | 1,333,000 | 1,140,000     | 585,288                  | 1,725,288               |
|      | Average     | 2.78               | 2,024,000 |           |               | 691,000                  | 1,831,000               |



TABLE IX

## PROJECTED PORT REVENUES

|                          | 1961<br>Actual     | 1962<br>Actual     | 1963<br>Anticipated | 1964<br>Anticipated | 1965<br>Anticipated |
|--------------------------|--------------------|--------------------|---------------------|---------------------|---------------------|
| Tonnage, in Revenue Tons | 38,259             | 97,464             | 205,620             | 249,280             | 323,400             |
| TOTAL REVENUE            | 189,999            | 257,836            | 406,650             | 493,690             | 643,820             |
| Expenses                 |                    |                    |                     |                     |                     |
| Operating                | 142,616            | 195,000            | 187,080             | 200,000             | 210,000             |
| Debt Service             | 372,000            | 372,000            | 407,000             | 406,212             | 404,113             |
| Capital                  | <u>-0-</u>         | <u>250</u>         | <u>55,800</u>       | <u>10,000</u>       | <u>10,000</u>       |
| TOTAL EXPENSES           | 514,616            | 567,250            | 649,880             | 616,212             | 624,113             |
| Net Profit or (Loss)     | <u>(\$324,617)</u> | <u>(\$309,414)</u> | <u>(\$243,230)</u>  | <u>(\$122,522)</u>  | <u>\$ 19,707</u>    |

C. Water Utility Revenues

The Projected Water Utility Revenues in Table X were prepared by the Finance Department for City Council in May, 1963, to evaluate the effect of a proposed rate increase. The amount available for capital is the item titled Depreciation. While this runs somewhat higher than the Water Utility's Capital Improvements Program, it may be offset by the fact that the schedule of rates subsequently enacted was slightly different from the one proposed, and further experience will be necessary before its impact is fully known.

TABLE X

## PROJECTED WATER UTILITY REVENUES

| REVENUES                              | A C T U A L                                    |                | P R O J E C T E D |                |                |                |                |
|---------------------------------------|--|----------------|-------------------|----------------|----------------|----------------|----------------|
|                                       | 1961   | 1962           | 1963              | 1964           | 1965           | 1966           | 1967           |
| Sales                                 | \$916,790                                      | 1,068,247      | 1,088,000         | 1,120,000      | 1,160,000      | 1,184,000      | 1,216,000      |
| <b>EXPENSES</b>                       |  |                |                   |                |                |                |                |
| Operating                             | 296,606  | 377,542        | 388,000           | 410,000        | 430,000        | 450,000        | 470,000        |
| Depreciation (Note 1)                 | 193,679  | 206,061        | 258,000           | 265,000        | 275,000        | 285,000        | 295,000        |
| Payments in lieu of taxes<br>(Note 2) | 159,038  | 159,760        | 208,430           | 156,000        | 160,000        | 164,000        | 168,000        |
| <b>TOTAL EXPENSES</b>                 | <b>649,323</b>                                 | <b>743,363</b> | <b>854,430</b>    | <b>831,000</b> | <b>865,000</b> | <b>899,000</b> | <b>933,000</b> |
| <b>NET EARNINGS FOR PERIOD</b>        | <b>267,467</b>                                 | <b>324,884</b> | <b>233,570</b>    | <b>289,000</b> | <b>295,000</b> | <b>285,000</b> | <b>283,000</b> |
| <b>PLUS PROPOSED INCREASE</b>         | <b>-0-</b>                                     | <b>-0-</b>     | <b>160,000</b>    | <b>250,000</b> | <b>260,000</b> | <b>266,000</b> | <b>274,000</b> |
| <b>RETURN ON RATE BASE</b>            | <b>267,467</b>                                 | <b>324,884</b> | <b>393,570</b>    | <b>539,000</b> | <b>555,000</b> | <b>551,000</b> | <b>557,000</b> |
|                                       | <b>D I S T R I B U T I O N O F R E T U R N</b> |                |                   |                |                |                |                |
| Interest                              | 170,574  | 205,989        | 218,030           | 202,943        | 193,000        | 182,000        | 167,000        |
| Net Principal Redemption(Note3)       | 46,141   | ( 14,370)      | 214,480           | 230,550        | 225,550        | 249,550        | 241,000        |
| Contribution to General Fund          | 79,447   | 84,880         | 109,059           | 111,655        | 114,320        | 116,990        | 119,990        |
| Surplus                               | (28,695)                                       | 48,385         | (147,999)         | (6,148)        | 22,130         | (2,460)        | 29,010         |
| <b>RETURN ON RATE BASE</b>            | <b>\$267,467</b>                               | <b>324,884</b> | <b>393,570</b>    | <b>539,000</b> | <b>555,000</b> | <b>551,000</b> | <b>557,000</b> |

- Notes: 1. Depreciation to be funded and made available for plant renewal and new construction.  
2. Payment in lieu of taxes through 1963 based upon 100% valuation; after 1963 on 70% valuation.  
3. Principal redemption less projected contributions in aid of construction.  
4. Projected deficits to be provided from surplus appropriation.  
5. 1963 - 1967 revenues based upon 25% overall increase in rates with outside city rates 120% of inside city rates.

Note(Sept.63) Approved new rate schedule is somewhat lower than was anticipated in these calculations; which may reduce return on rate base.