

CITY OF ANCHORAGE

1955

BUDGET



Prepared by

THE OFFICE OF THE CITY MANAGER

for

THE CITY COUNCIL

Anchorage, Alaska



COUNCIL—MANAGER GOVERNMENT

POST OFFICE BOX 400

November 28, 1954

The Mayor and Members of City Council
City of Anchorage
City Hall
Anchorage, Alaska

Gentlemen:

The recommendations for the 1955 operating fiscal and municipal service policies of the City are contained in this budget document. The annual review of the budget should not be confined to the function of balancing revenues and expenditures, but the budget review should also be the most appropriate time to reappraise policies regarding municipal service standards. Because tax monies and regulating fees are usually paid with reluctance by the general public, municipal services should be limited to what the public really wants and then only to the extent which can be economically provided in the amounts the public is willing to pay. This budget represents the City Manager's appraisal of a balanced municipal service program of the many functions of the Anchorage City government, keeping in mind the City Council's service policies and the revenue available to pay for these services.

The budget is divided into four funds of which three represent the City-owned utilities and the fourth the General Fund, out of which all the municipal government services are provided. To assist the City Council in its appraisal of these budget recommendations, each revenue source estimate is explained, and each functional expense account is translated from dollars into services by means of a descriptive work program. The work programs commit the standard of service to be provided for the appropriation recommended. The City Council is thereby afforded the opportunity to study the revenues and services proposed and evaluate this proposed financial program in terms of Council policy. An additional feature in this year's presentation is the bar-graph comparison of the annual expenditures of each functional account for the

fiscal years 1953 actual, 1954 and 1955 fiscal years estimated. These graphs permit a rapid review of expenditure trends and give opportunity to raise questions for more detailed information. In most accounts the rise in 1954 and 1955 has occurred because of annexations in 1954.

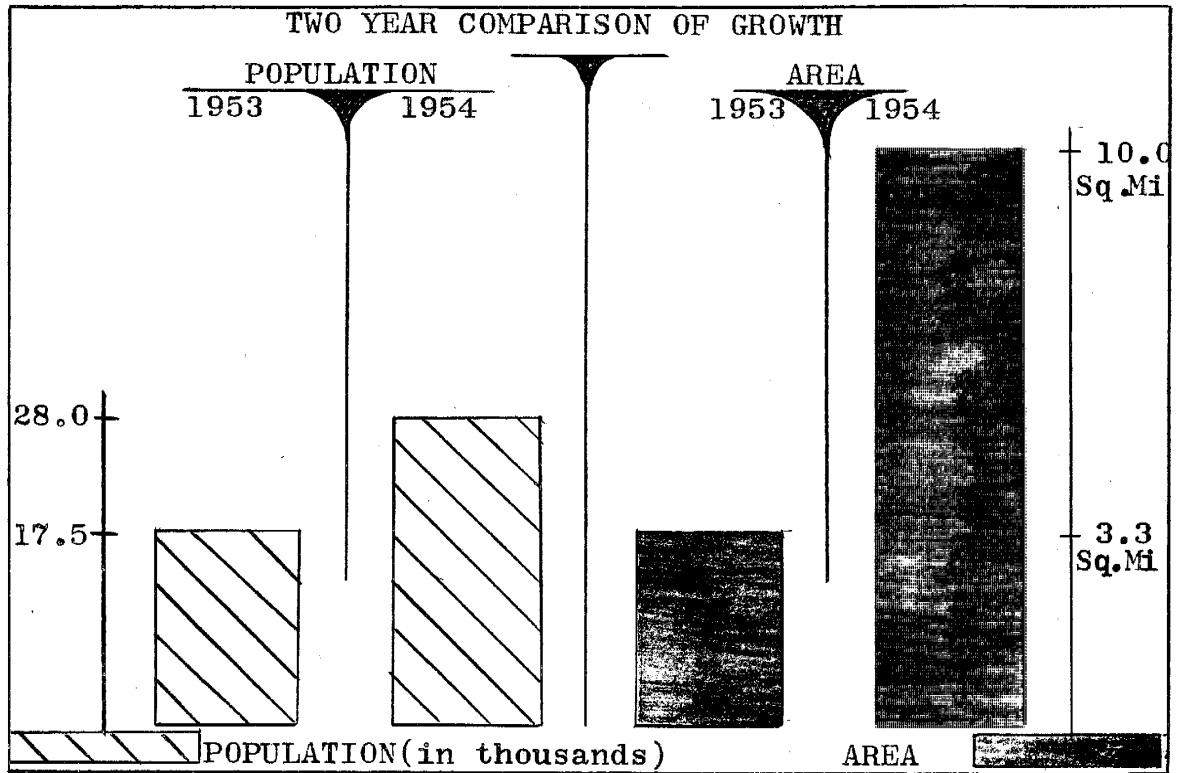
The new general problems that received consideration in the preparation of this budget include economic trends, 60% increase of population, expansion of City boundaries through annexation of over six square miles of area representing a 200% increase in area to be served, the increase of fixed charges on bonded indebtedness, and the continual growth of utility service requirements. All of these problems have affected the General Fund and each of the Utility Funds. The extent of the effect of annexations on work loads should first be examined.

Annexation

Municipal services are all affected by the area to be served and the number of people to be served. The regulatory and personal protection services are always affected by the number of people, while many of the line services and protection of property services are affected by the amount of area involved. The physical state of the community facilities within the area annexed carries great weight on the City's problems. Much of the new area annexed had community facilities far below the standard found in the same facilities in the original city. This means that the City will have to concentrate many of their services in the new area in order to bring about uniformity of community facility standards and service standards as soon as practicable. There is also a tremendous problem in public relations when many of the new citizens in an annexed area are not familiar with City laws and services. Much time must be spent in explaining regulations. Some idea of the extent of these problems of increased area and population can be ascertained from the graph shown on the following page. The increase in people and area mean increased service costs in police, fire, health, recreation, streets, maintenance, street lighting, snow, ice and dust control, garbage, building inspection, library, and all the staff functions of accounting, assessing, billing, collecting, planning, judicial, records and administration. These increased costs are all graphically illustrated in the expenditure comparison charts for 1953, 1954, 1955, found in each of the functional account budgets. The individual account Work Programs for 1955 also point up the effect of annexation.

This discussion of the problems of annexation is not presented to criticize or discourage future annexations to the City, but to point out

that when the citizen voters of Anchorage approve the annexation of an area, they are also sharing some of their portion of the City services with the new areas, and people of the new areas may have to exercise patience in their receipt of uniformity of facilities and service. After the first two years, the new areas will usually pay their own way in their municipal corporation.

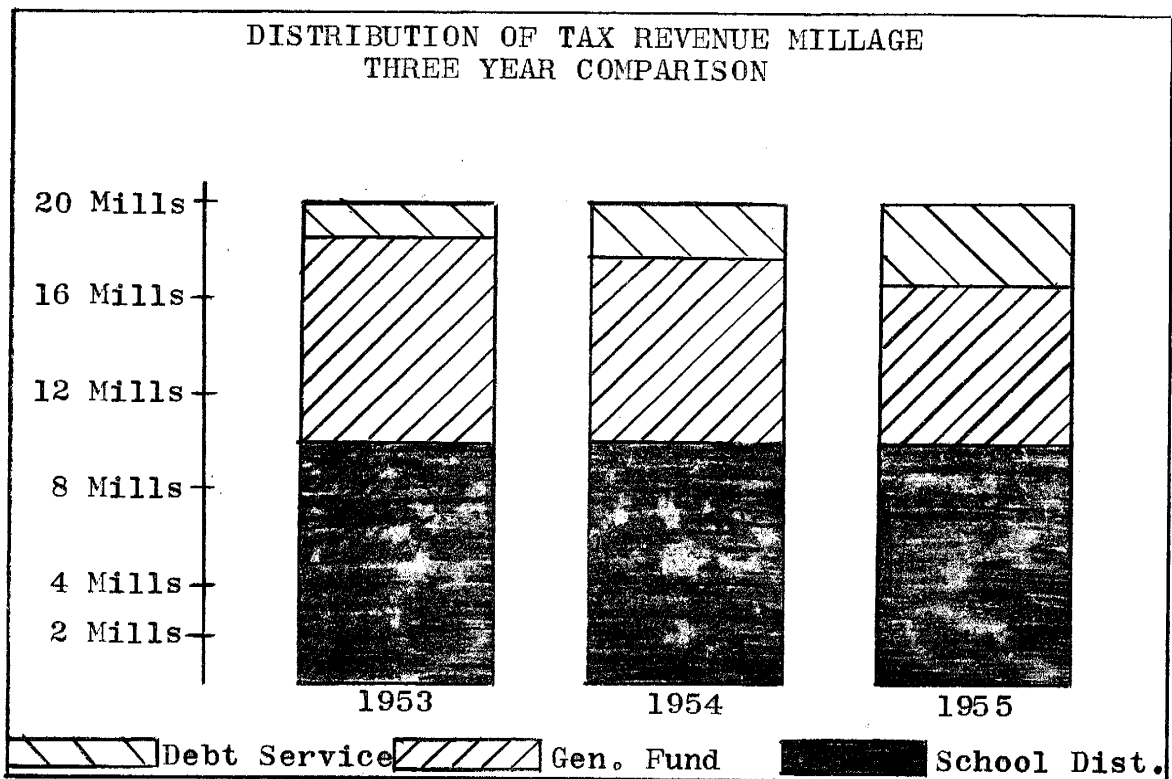


General Fund

The General Fund revenues total \$3,172,428, an increase of \$498,000 (18%) above 1954. The estimate includes property taxes using a 20-mill levy, which is the same levy as used in 1954. New construction and the annexed areas in 1954 boosted property taxes \$384,000, registering the largest revenue source increase. The other sources showing some increase include payment in lieu of taxes for the City-owned utilities, service charges (garbage), rental of City Buildings to utilities, business and liquor license refunds from the Territory. The other sources of revenue show little change.

The General Fund expenditures have the greatest increases in payments to the schools and increased fixed charges. \$80,000 of the

tax revenue increase goes to the Anchorage Independent School District as its share from the 10-mill tax levied for the schools. (See explanation on page 126.) The sale of general obligation bonds in 1953 and 1954 has raised fixed charges from \$214,159 (including \$66,372 deficit paid off) in 1954 to \$292,646 in 1955. The school appropriation and the fixed charges therefore reduce the revenue increase for other General Fund uses to \$40,000 to cover the additional work loads created by annexation. This means that the increase of 60% in population and the increase of 200% in area to be served must be provided with only a 12.5% increase in revenue available for such service. The fixed charges of principal and interest on bonds that are payable from General Fund sources are technically an obligation against the tax revenues of the City. The fixed charges have first claim against tax monies. Therefore, it is fitting to analyze their impact upon the General Fund budget in terms of tax rate. In 1953 fixed charges equalled 1.5 mills of taxes levied, in 1954 2.2 mills, and in 1955 3.4 mills. The graph below gives a comparison of the uses of tax revenue for the three-year period.



It should be apparent from the above chart plus the work load impact of annexation on revenues that the City will not be in a financial position to

issue any more bonds from which revenue has to be taken from the General Fund for repayment, unless there are additional sources of revenue. It is recommended that very serious consideration be given to this problem before submitting any additional bond issues to the voters. It appears reasonable that sales tax could be used very effectively for capital outlay construction in the paying off of General Fund debt requirements. Examination of the expenditures contained in this budget show that existing sources of revenue cannot be further obligated, if the City is to maintain any acceptable degree of service standards.

The largest increase for any single function in the budget was for public buildings, approximately \$94,000. The new library and new warehouse building have added to our operation and maintenance expenses, but \$78,000 of the increase is to be applied on the construction of City Hall addition and rearrangement of office spaces. The increased demand for services, because of enlarged areas and more people and the increased work loads, can only be handled by increased personnel. Additional personnel cannot be effectively employed in the present City Hall building, unless more space is provided. The new addition would permit the moving of the City Engineer's and Tax Assessor's offices back into City Hall, and also permit consolidation of the Electrical Division in their own building at Third and Post Road. Additional jail facilities would be provided and the City Hall would be given an appearance to match the new library building.

The second largest increase of \$67,000 is for the Fire Department. This increase is caused primarily by a full year's operation of the Airport Heights Fire Station and the reduction of the 84-hour work week to a 72-hour work week.

The Police Department obtained an increase of approximately \$65,000 to provide for additional men employed in 1954 on a year-around basis and the addition of a policewoman and a traffic control man for approximately six months of the year.

Public Works functions, including the various street services, have received an increase of approximately \$75,000, whereas the garbage collection function has been reduced \$30,000.

The Engineering and Design function has been increased \$26,000 to partially provide for the increased work load which has been thrust upon them with the additions of the new areas.

The Health Department, the Library, Recreation and Parks, and Merrill Field have all been increased approximately \$10,000 each to take care of their increased work loads.

Elections have been increased \$8,000 in order to provide for voting machines so that City elections may be conducted more efficiently and at less cost. Other budget increases are relatively minor.

Details of the increases and decreases of the various functional departments are found in the specific work programs and should answer most questions reference to these differences.

Water Utility

The Water Utility fund budget does not present a very favorable financial position for this service function. The number of customers have not increased in accordance with expectations, while operating costs have increased because of the great expansion of water utility lines during the past two years. The low revenue and increase in operating expenses is explained in detail in the Water Fund budget and point to the necessity for an increase in the water rate of 50¢ for domestic service and 15% for business service. A brief 3-year comparative summary of income and expense is presented with the Water Department budget and it is emphasized that particular study should be given to this comparative statement in order that future policy may be shaped to fit the financial position of the department.

Electric Utility Fund

The 1955 budget presents the Electric Utility as a consolidation of generation and distribution. In prior years generation has been handled by Anchorage Public Utilities as a separate board and an administrative agency. The revenues show a slight decline, although it is anticipated that power consumption will increase during the year. The decrease has been caused by the 20% average rate reduction to be in effect for a full 12 month period, as compared with the 5% rate reduction for six months in 1954. A three-year comparative income and expense statement is submitted with the Electric Utility budget and it is emphasized that this statement should be studied very carefully together with the comments concerning the statement. The Electric fund is in a very favorable financial condition.

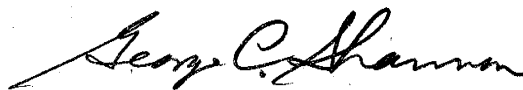
Telephone Utility Fund

Telephone revenues are increased in 1955 because of the expansion program that has taken place in 1954 with the anticipation of adding 2,250 instruments in 1955. To offset the additional income, there will be some increase in expenses and the large amount of fixed charges of interest and bond principal is coming due for the first time during 1955. Careful analysis should be given to the three-year comparative income and expense statement and the comments on the statement. An attempt has been made to give a clear picture of the financial operation of the Telephone Department and the problems which will be facing this utility in the next year or so. Telephone rates should be analyzed and increased to place the Telephone Utility on a more sound financial position.

The Department Heads have been very cooperative in the preparation of this budget. Special appreciation is given to the City Comptroller and his staff for the work they have done in preparation of the budget and the assistance they have given the various departments. The City Manager's staff has worked diligently and long during the budget preparation period in order to meet the deadline in preparing the budget document for presentation.

This budget is handed to you in accordance with code requirements for your study and consideration. The City Manager recommends that a 20-mill tax rate be set not later than the first Friday in December and that a public hearing on the budget be set for the 17th of December.

Yours truly,



George C. Shannon
City Manager

THE CITY OF ANCHORAGE

1955

BUDGET

As adopted by the City Council

on December 3, 1954

Mayor

Maynard L. Taylor, Jr.

Councilmen

Anton A. Anderson

John M. Anderson

Charles J. Davis

Arthur L. Engebret

Melvin W. Peterson

Jack H. White

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GRAND SUMMARY

GENERAL FUND AND UTILITY FUNDS BUDGETS

<u>Fund</u>	<u>Actual 1953</u>	<u>Estimated 1954</u>	<u>Estimated 1955</u>
GENERAL FUND.....	\$2,322,516	\$2,674,840	\$3,172,428
WATER UTILITY FUND.....	470,986	537,242	576,358
ELECTRIC UTILITY FUND.....	2,314,052	2,352,319	2,213,491
TELEPHONE UTILITY FUND.....	<u>787,563</u>	<u>999,704</u>	<u>1,096,200</u>
Grand Total Budgets.....	\$5,895,117	\$6,564,105	\$7,058,477
Less Inter-Fund Contri- butions..	<u>(384,593)</u>	<u>(392,328)</u>	<u>(395,000)</u>
NET BUDGET.....	\$5,510,524	\$6,171,777	\$6,663,477