

CITY OF ANCHORAGE

1957

BUDGET



Prepared by
THE OFFICE OF THE CITY MANAGER
for
THE CITY COUNCIL
Anchorage, Alaska

THE CITY OF ANCHORAGE

1957

BUDGET

As adopted by the City Council

on December 31, 1956

MAYOR

Anton A. Anderson

COUNCILMEN

Charles J. Davis
Hewitt Lounsbury
Roy V. Nigh

Brad Phillips
I.M.C. Anderson
Frank Reed

January 25, 1957

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

Gentlemen:


The 1957 Budget, as originally presented by the City Manager, has been modified in accordance with final City Council action of December 31, 1956. The revenue accounts and expenditure accounts of the General Fund now reflect all the modifications. The work programs have been altered from the original work programs to fit the revised figures. The original budget message of the City Manager is retained in the document for reference purposes.

The major changes include increases in revenue to the General Fund from various sources by \$30,000. The major deductions from expenditures include the deletion of interest payments on street improvement bonds and elimination of the requested Personnel Officer. The purchase of several items of capital equipment has been excluded together with the postponement of making up the 1956 deficit. The changes in the budget show a total net reduction of \$208,951.

With the adoption of these budgetary changes, it is anticipated that in the event that a new source of revenue is made available, many of the deductions will be reinstated. In those cases where reduction of personnel is anticipated, the City Council will again review the financial position of the City before services are reduced as contemplated in the budget. It is also understood that personnel reductions will be made by failure to replace positions left vacant by resignations or, if possible by making transfers to other departments where like positions may occur.

The revised budget presents a balanced financial program for the year 1957 but reduces service standards in many of the functions.

Yours truly,



George C. Shannon
City Manager



November 6, 1956

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

Gentlemen:

The 1957 budget is presented to the City Council as a basic compilation of estimated revenues and expenditures, which incorporate the present municipal service standards and revenue sources of the General Fund and the three public utility funds. Each of the four funds have separate budgets which are compiled and summarized in this single document. The General Fund provides for all the governmental services that are paid for by taxes, license and permit fees, penalties, grants and other miscellaneous governmental sources. On the other hand, the proprietary functions of public utility services are paid for by the application of adequate utility rates based upon direct quantity and quality of service received by each customer.

Considerable detailed information is provided in the budget to assist the City Council in its review and appraisal of these budget recommendations. Each revenue estimate is accompanied by an analysis of how the estimate was calculated. Each functional expense recommendation is translated from dollars into the amount and types of service that can be expected by means of a descriptive work program. These descriptive work programs are intended to commit the standard of service that will be provided from the recommended appropriation. In addition, the latest 1956 revised budget estimates are shown comparatively together with a graphic presentation of the actual expenditures for the years 1953, 1954, 1955 and the estimates for 1956 and 1957. The City Council is thereby afforded the opportunity to study the revenues and services proposed, to question their application to Council policy, and to establish the City's financial and service program which should guide the operation of the municipal government for the coming fiscal year.

The office of the City Manager is in constant contact with the department heads with reference to problems of finance, service requirements, methods of performance, uniformity of practices, review of complaints, and requests by the public for many special-type services for which funds were not provided. There is also the need of improving the administrative techniques and controls, providing staff for more specialization as the volume of work requires more personnel and where specific responsibility must be delegated if the work is to be done effectively. In addition, the needs for expansion of the community facilities are rightfully being emphasized by citizen committees, advisory commissions to the City Council, most of which are sanctioned by the voters when opportunity is presented for their official expression. All of these contacts, changing problems, and public requests are considered by the City Manager in developing a balanced municipal service and financial program in the form of the annual operating budget.

The City Council will readily recognize, as they review these budget recommendations, that 1957 is a year of decisions for Anchorage municipal government. The decisions will concern, in the case of the General Fund and Water Fund, whether present service standards will be reduced or additional revenue will be obtained to support the services now provided and to provide for the capital improvements that the general public has expressed as being desired. The Telephone Fund will also require policy decisions with reference to future expansion, and the Electrical Fund will require positive planning and programming in the problem of serving electricity to all City residents which are now served by the rural co-op., CEA. The City Council will make many of these decisions in the policy changes that are necessary before a 1957 budget can be adopted.

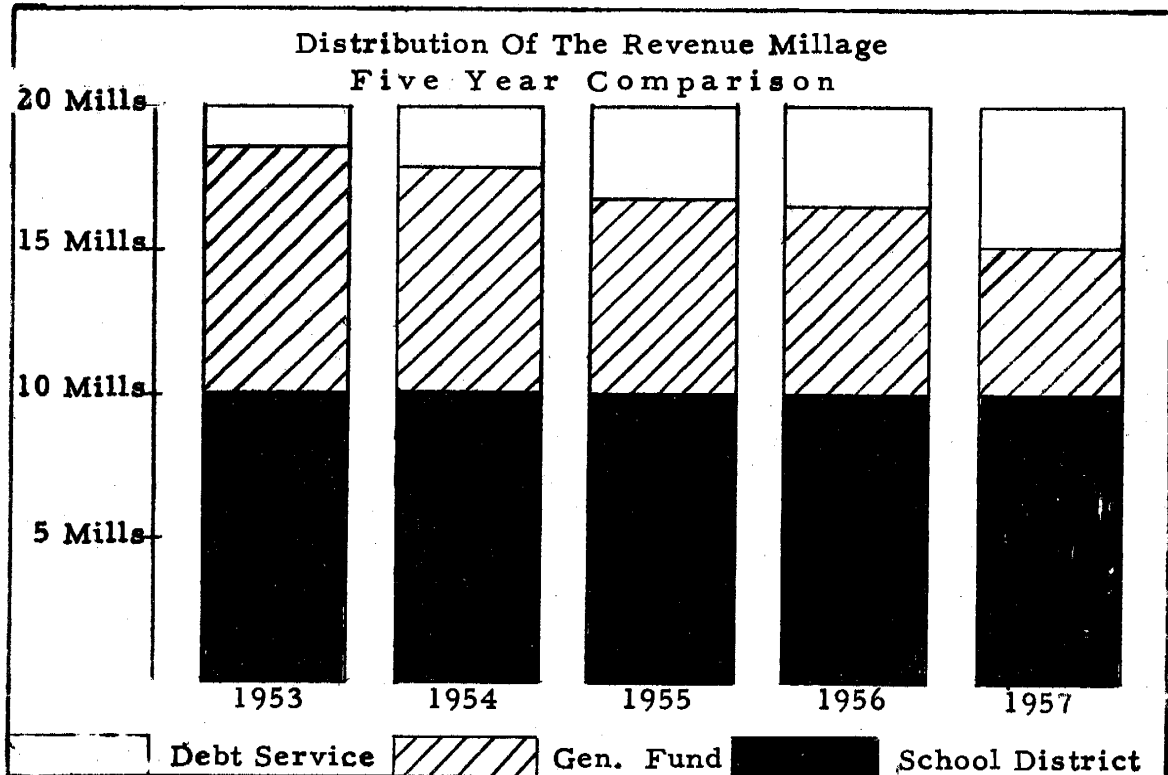
General Fund

The 1957 budget recommendations for the General Fund shows a deficiency as the present revenue sources will not pay for the proposed expenditures. In order to provide for the recommended work programs for each service function, \$238,951 will have to be raised through new sources of revenue or through an increase in the property tax rate, regulatory fees, etc. During the last four years, the City Manager has been able to recommend work programs that appeared sufficient to "get by" with minimum service standards without having to suggest any radical changes in revenue sources. But in so doing, each budget message since 1954 has contained the prediction that if expansion of capital improvements are to continue with bond funds, then new sources of revenue would have to be provided. This pre-

diction was further emphasized in a special long-term financial report released to the City Council early in 1955. This report presented an analysis of the City's capacity to pay (with present revenue sources) for the projected bond fund requirements through 1961.

The difference in total General Fund expenditures for fiscal year 1955 and the 1957 budget estimate is \$532,924. Of this increase, \$420,997 represents the increases given the School District and debt requirements, while departmental services have increased only \$111,927 which does not even represent the total salary increases for the two-year period. The standards of departmental service would have to be curtailed to such an extent, to continue the City Manager's past policy of balancing the budget, that only the City Council should evaluate where such changes should be forthcoming.

The property tax is the largest single source of revenue. The payment to the School District is based on 10 mills of the property tax, so schools have a direct call upon the property tax. General obligation bond requirements also have first call upon the property tax. These two requirements leave only 5.1 mills of the 20-mill tax for the various governmental purposes. The graph below gives a comparison of tax revenue for the last five-year period:



The General Fund expenditure increases over the 1956 estimates are compared below between fixed charges and operations:

	1956	1957	Increase
School Taxes	\$ 891,738	\$ 948,147	\$ 56,409
Debt Requirements	346,257	485,344	139,087
Total Fixed Charges	<u>1,237,995</u>	<u>1,433,491</u>	<u>195,496</u>
Service Operations	2,290,410	2,348,843	58,433
Total	<u>3,528,405</u>	<u>3,782,334</u>	<u>253,929</u>
Plus 1956 Deficit			59,200
Total Increase			<u>313,129</u>

The increase in fixed charges is \$195,000 (15%) as compared with the increase in operations of only \$58,433 (2.5%). The fixed charges include only \$44,000 as the 1957 estimated interest cost on \$1,900,000 issue of street bonds proposed for 1957. This cost will increase to at least \$165,000 in 1958. In addition, outstanding APW projects that will be closed in 1958 will increase the General Fund fixed charges another \$25,000. These factors are to be kept in mind when considering the question of initiating new sources of revenue.

The \$58,433 in General Fund expenses is the net difference between the 33 increases and 8 decreases recommended in the functional accounts. The major increase is the creation of the vitally needed staff function of Personnel Officer to deal with the most costly single type of expense in the conduct of governmental services--the employee and their salaries. Good personnel administration can promote personnel economies through standard procurement practices to obtain the best qualified people available to perform the work to be done. Administration of personnel training, employee participation, maintaining equal salaries for equal work and the many other personnel service responsibilities will promote good employee morale and more efficient production of services. Before any additional help is employed in any department, the two employees suggested for this function should have the first priority. The City Clerk is requesting three new employees. The City Attorney's office had to increase its appropriations because it will be the first year that it has been manned by four full-time staff members, which is a minimum for the legal services that have to be performed. All other accounts show relatively small increases percentage-

wise and are explained in detail in their respective work programs. The accounts with large decreases include: Snow Removal, because the 1955-'56 seasons are thought to have been abnormal; Public Works Garage, because of purchase of less new equipment than in the past; Public Buildings, because no major remodeling is planned for 1957. The other account reductions are more fully explained in the respective work programs.

In budgets for all departments paying monthly salaries, a deduction of one-half month of salary for each such employee has been made, because experience shows that there is usually that much net under-run created during the year in the taking of annual leave and hiring replacement employees at lower wage rates. The leave reserve charged to each budget account has been raised from 12% to 13% to bolster the reserve to offset the higher salary increases given in May 1956.

The department heads were again requested to prepare their budgets to not exceed a preallocated amount. In several instances the departments recognized that more funds would be needed if standards of service were to be maintained at prior year levels. In other cases, the needs for improved service standards are very desirable. Because of fund limitations, these departments have presented supplemental requests which should be considered by the City Council as part of their review of the future fiscal policies.

The need for additional revenue for the General Fund service requirements of the City of Anchorage is not unique among cities. The demands for city services has forced municipal governments to find new sources of revenue other than property tax and business licenses. Anchorage should be more dependent on non-property tax sources of revenue than almost all other cities because greater than one-third of all property values within the City are Federally owned--therefore tax exempt. Cities, according to the U. S. Census, depend upon the property tax to provide only 38.8% of their revenue requirements. Because of the high ratio of Federal tax-exempt property here in Anchorage, the Anchorage general government should expect property taxes to provide only 28% of the funds required if national averages are used as a measuring criteria. The 1957 budget revenue estimates show that property taxes provide 39% of the revenues under existing sources. And should the anticipated deficit be financed from an additional revenue source, the property tax would still pay 35.3% of the general governmental services as compared with 28% under the Federal tax exemption situation that exists here in Anchorage. The municipal utilities, through payment-in-lieu-of-tax and contributions, provide \$642,660 or 24.2% of total General Fund re-

sources as compared with 17.5% Census average for other cities. (The Chugach Electric Association, REA Co-operative, through its claim of tax exemption, now makes no payment of any kind in support of the municipal government, even though it serves more than one-third of all City electrical consumers and would pay in excess of \$75,000 per year in property taxes if its claims for exemption are not upheld by the Court.) The Census reports that 8% of city revenues come from sales taxes. Should the City of Anchorage collect this percentage of its total revenue in sales taxes, then the present property tax would represent its proper proportionate share of the City tax burden of 28%.

In any event, the fiscal policy of the General Fund will have to be closely examined to meet the burdens of fixed charges incurred by capital improvements, the 1956 deficit, and the constant public demand for improved standards of municipal services. The year 1957 will be a year of decision--progress or retrenchment.

WATER UTILITY FUND

The Water Utility Fund has been able to balance its budget only by use of unappropriated reserves that became available in 1955. The water system has expanded rapidly into new service areas, as illustrated from the increased mileage of service mains from 21 miles in 1952 to 63 1/2 miles in 1956. During the same time, customers increased from 4,600 to 6,459. The increase in customers has not kept pace with the increase in water main extensions. In 1952 there were 211 customers per mile and only 106 customers per mile in 1956. Fortunately, during this same period, operating costs have decreased from \$4,615 per mile to \$2,539 in 1956. However, when converting this reduction to cost per customer mile, transmission and distribution expenses have increased from \$7.71 to \$18.50 per customer mile. The best solution to the Water Fund financial problem is simply to obtain more of the potential customers who are now using their own water wells. Failure to accomplish this will mean that water rates will again have to be increased to meet the 1958 expenses, and provision for a rate study by consultants has been included in this 1957 budget request. Careful attention should be given to the General Fund revenue explanations under the contribution to the General Fund from the Water Fund as well as revenue and expenditure explanations in the Water Fund budget.

ELECTRIC UTILITY FUND

The Electric Utility Fund is in excellent financial condition in spite of the more than \$1,000,000 per year rate reduction that has been put into effect during the last two years. The contribution from the Electric Utility Fund to the General Fund is based on the formula approved by the Council. This represents an 8% return on the plant investment, also 5% of current revenues are utilized to pay for expansion requirements during the year. The major project recommended will be to complete the downtown underground conduit system in 1957 so that alley paving may proceed without further delay. The activation of the underground system will require several years to complete. The diesel engine from Eklutna is planned to be placed in operation in 1957 with funds taken from the generation reserve. Preliminary plans for future generation should be acted upon by the Council with the assistance of engineering consultants during 1957 because a power shortage may develop by 1959.

It is vitally necessary that some definite policy be established with reference to the CEA-City service area dispute. Distribution system planning and the elimination of paralleling lines by CEA and the City will ultimately mean cheaper rates for the consumers of both systems. Officials from both utilities have stated that integration to one system will produce the best results.

TELEPHONE UTILITY FUND

The Telephone Utility will reach its peak rate of growth under the present expansion program started in 1954. The utility has placed over 3,000 telephone lines in service during the past two years and is now beginning long range planning to meet future telephone communication needs. Before additional bond funds are requested for authorization, preliminary plans for the various extensions and central office equipment will be presented to the City Council. It is anticipated that the next step of the expansion program will be ready for presentation prior to the October election in 1957. Satellite exchange as well as outside cable plant extensions will be included in the requests.

The revenues are adequate to meet expenses under existing rates. Contribution to the General Fund is in about the same proportion that it was in 1956. Bond fund requirements have increased from \$445,150 in 1956 to \$496,000 in 1957. No bonds are anticipated to be sold during 1957.

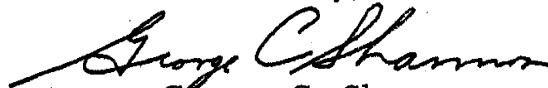
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After the budget is adopted, the dollar appropriations are controlled and monthly reports, as to the status of estimated expenditures with actual expenditures, are presented to the department heads and are available for City Council examination. In addition, monthly performance reports review the work accomplished by each department. These reports permit comparing the work performed by the department with the work program as outlined in the budget. The commitment of the work in the budget work program and the report of performance provides the City Council, the citizens and department heads a real basis to evaluate the tax monies spent with the standards of service that are received. The department heads have done their best job of budgeting in preparing their 1957 budget request. Most of the work programs have had only slight editorial changes, but in some few instances drastic changes had to be made in order to maintain a standard form of budget presentation.

The City Comptroller and his staff have performed most of the work in the preparation of the budget details and have given assistance to each of the various departments. Appreciation is also expressed to the City Manager's office staff which has worked diligently 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 early in December in order that tax bills may be prepared in accordance with the tax collection schedule for 1957. It is imperative that a new source of revenue be incorporated to provide sufficient resources to carry out the General Fund functions if the City is to continue its progress and development and maintain an acceptable standard of municipal service. The budget cannot be adopted earlier than 7 days following its submission and after three days notice to the public of its submission and the place and time for final Council action. The City Manager and department heads will be available at any time to review the budget recommendations.

Yours truly,



George C. Shannon
City Manager

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SUMMARY OF SOURCES OF
ALL

REVENUES

<u>General Fund</u>	<u>Estimated 1956</u>	<u>Estimated 1957</u>
Taxes	\$ 2,165,984	\$ 2,236,645
Other General Revenues	908,221	977,519
Revenues from Utilities	395,000	418,419
	<u>\$ 3,469,205</u>	<u>\$ 3,632,583</u>
<u>Telephone Utility Fund</u>		
Revenue Local Service	\$ 1,316,704	\$ 1,445,812
Other Operating Revenues	62,308	60,570
Non-Operating Revenues	221,883	228,856
	<u>\$ 1,600,895</u>	<u>\$ 1,735,238</u>
<u>Electric Utility Fund</u>		
Revenue From Sale Electric Power	\$ 2,109,335	\$ 2,050,631
Other Operating Revenues	39,156	43,200
Non-Operating Revenues	164,434	178,129
	<u>\$ 2,312,925</u>	<u>\$ 2,271,960</u>
<u>Water Utility Fund</u>		
Revenue from Flat Rate Water Sales	\$ 512,534	\$ 522,498
Other Operating Revenues	4,894	5,404
Non-Operating Revenues	151,266	212,162
	<u>\$ 668,694</u>	<u>\$ 740,064</u>
 Total Revenues	 \$ 8,051,719	 \$ 8,379,845

REVENUES AND EXPENDITURES
FUNDS

EXPENDITURES

<u>General Fund</u>	Estimated 1956	Estimated 1957
Operating Expense	\$ 2,291,410	\$ 2,244,426
Debt Service	345,257	440,010
School Payment	891,738	948,147
	<u>\$ 3,528,405</u>	<u>\$ 3,632,583</u>
<u>Telephone Utility Fund</u>		
Operating Expense	\$ 853,018	\$ 920,363
Debt Service	450,994	496,438
Contribution to General Fund	75,000	89,581
Construction	221,883	228,856
	<u>\$ 1,600,895</u>	<u>\$ 1,735,238</u>
<u>Electric Utility Fund</u>		
Operating Expense	\$ 1,370,128	\$ 1,564,940
Debt Service	4,350	4,350
Contribution to General Fund	312,000	322,794
Construction	626,447	379,876
	<u>\$ 2,312,925</u>	<u>\$ 2,271,960</u>
<u>Water Utility Fund</u>		
Operating Expense	\$ 408,470	\$ 392,293
Debt Service	155,378	236,378
Contribution to General Fund	8,000	6,045
Construction	96,846	105,348
	<u>\$ 668,694</u>	<u>\$ 740,064</u>
Total Expenditures	<u>\$ 8,110,919</u>	<u>\$ 8,379,845</u>