
CITY OF ANCHORAGE

1959

BUDGET



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

THE CITY OF ANCHORAGE

1959

BUDGET

As adopted by the City Council

MAYOR

Hewitt V. Lounsbury

COUNCILMEN

Charles J. Davis
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November 18, 1958

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

Gentlemen:

The 1959 budget has been prepared with a view to new horizons for the Anchorage community. The new state and its constitution will bring with it new innovations and broader concepts of local government. The establishment of new industries and new business enterprises formulates another horizon of optimism. This view becomes brighter as the Kenai oil field, which is 40 miles to the south, will strengthen Anchorage economy. Along with this development will be an increasing tide of new employment, bringing new people which, in turn, will increase demands for service businesses, and thus the economy will be on a spiraling trend. This type of expanding population and economy has occurred in many cities of the United States and experience always shows that the urban sprawl develops both within the city limits and just beyond the city limits. As population density increases, the community problems increase and affect each individual, thus the demand for local government comes into sharper focus. This will bring another new horizon of how the community will cope with these new problems of local government serving more people. Solutions may be found by annexation to the central city or, as is possible under the state constitution, creation of a borough government and the formation of many service districts within the borough to resolve the problems of increased population. Thus, with the new state and with the economic development of Anchorage, problems of local government will present the greatest challenge to the residents of the Anchorage community.

Fortunately, during 1958 and in prior years, the City has been in a state of preparation to better recognize and meet the type of problems that are facing the City in 1959. The City Council has taken advantage

of the "home rule" privileges that were extended in the constitution by having appointed a Charter Commission in 1958. The work of this commission will result in appraisal of the City's governmental organization and powers and the writing of a charter which will be designed to improve local government for the City of Anchorage. Under the "home rule" concept, the citizens will have the final say by reviewing the proposal of the Charter Commission and passing judgment at the polls. Furthermore, through this arrangement, the people will also be able to change, modify, add to or take from, and make new charter provisions through the process of referendum without having to wait for the "too-busy" State Legislature to act upon local requests.

The many citizen committees that have worked with the Planning Commission, the Port Commission, the Parking Commission, and the Parks and Recreation Board have all contributed wisdom by making plans which could be readily adapted to meet the impact of expansion that is facing Anchorage in 1959 and in the next several years. The Economic Report of 1956 and its 1958 supplement, the Highway Planning Committee's work, and the Land Use Plan developed by the Planning Commission in 1958 are proving to be invaluable to the City in its evaluation of an improvement program, to the Bureau of Public Roads in its improvement of highways within the City, and to the many investors who are providing new opportunities for Anchorage's population. The start of construction of the \$3,000,000 Telephone Expansion Program has been most timely, as has been the many years of work that provided the ultimate accomplishment of financing the \$8,000,000 port and terminal facility. The completion of the Chester Creek sewer outfall is providing trunk line facilities to newly annexed areas, to new potential subdivision areas, and to the institution area along Lake Otis Road. All are now proving to be fortunate steps to initially meet the problems being brought on by the new horizons.

The Bureau of Public Roads and its construction program for Fifth Avenue, Chester Creek Freeway, Northern Lights Boulevard, Lake Otis Road, and Gambell Street all will greatly help reduce the new traffic problems that are forthcoming. The action of 1954 to have preliminary engineering studies for the water filtration plant and the action of 1958 for preliminary plans for the new safety building will also prove valuable. Even the policy of the Council in following an austerity program, particularly for the years of 1957 and 1958, has improved the City's financial condition to meet the demands for new paved streets, new sewers and storm drains, and public buildings without having to

establish prohibitive increases in property taxes. This "halting" conservatism which provided watchful waiting will now have to change to an "optimistic" conservatism in order that the new demands for community facilities which will be created by new people can keep pace with the rising economy of the area, yet not create new extensive financial burdens until the people resolve the issue of providing new sources of revenue.

These new horizons are providing exciting influences for the people of the City and the urban fringe to face this new responsibility of building local government that serves the people to better economic livelihood and provide for those human needs that are demanded from the local government by the people.

The 1959 budget has been prepared by the administration in the light of these new horizons lying before us. Expanded service requirements have been included to the best of existing financial ability. Yet, reservations are made that should the horizons of new City boundaries develop, new financial and service policies will have to be determined by the City Council.

The budget presents a balanced program of income, expense, and municipal services, yet it must be recognized that in view of the new horizons that the 1959 budget must be viewed as a flexible document and will have to be adjusted to meet new situations and demands that cannot be accurately calculated at this time. In making such adjustments, the Council is urged to keep in mind the interrelationship of the various City functions in performing the total municipal service to the people of the City. No service stands alone but makes important contributions to other services and, in adjusting the budget to meet new requests, the effect on total service should be first fully analyzed before decisions of change are finally determined.

The budget provides for the payment of interest on at least \$1, 500, 000 of bonds for street improvement work. Changing patterns may require additional bonds for sewer district work which will have to be provided to the extent that public health hazards require.

In order to provide flexibility, the money received in 1958 for past due taxes from the Chugach Electric Association has not been budgeted either in the 1958 budget or the 1959 budget. It has been left in a reserve

to be appropriated as required. However, there are outstanding commitments, some of which have already been paid as deferred charges, and certainly some of the appropriations for these purposes will have to be made from this reserve fund. The total amount of CEA taxes collected are \$279,000, and the deferred charges include \$105,000 for Government Hill Urban Renewal, \$69,400 as the City's 10% contribution to the Alaska Highway and Public Works Department for the improvement of highways now being carried forward within the Anchorage city limits. This leaves a balance of approximately \$100,000 that has not been actually committed through deferred charges. However, it is to be remembered that there will be approximately \$40,000 more of City funds required for BPR work to be carried forward in 1959. But then there is the potential tax suit that is pending, which could require the balance of these funds, or possibly more. There have been tentative commitments made for Urban Renewal funds for Westchester and Traversie Urban Renewal areas. In other words, these reserve funds cannot be construed as unallocated funds, but they will provide a means of flexibility in the event that emergencies arise.

The requirements beyond those set forth in the budget that will be demanded of the City Council, the financing of new improvements, and providing services to newly annexed areas, all will require judicious analysis by the Council, both the recommended expenditures in this budget document and in the administration of fiscal policies throughout the 1959 year. It is imperative that the City maintain its favorable credit rating as we enter into the years of expansion that immediately face the City. This means that both the administration (including all department heads) and the Council should go slow in the spending of existing funds for new services, or to satisfy requests to tap the municipal treasury for assistance to limited service causes. If all whims are to be satisfied, then taxes should be increased above the eleven mill level, or the voters should recognize that the best way to meet most demands is to provide revenue from broader revenue sources.

GENERAL FUND

The major revenue sources on which the General Fund depends are general property taxes and revenues collected from the utilities in the form of payments in lieu of tax and dividends. The property tax estimates and payment in lieu of tax estimates are based on 11 mills, for which one mill is required to pay the bond requirements on the Anchor-

age Port and Terminal Facility project. The 11-mill calculation is based on the assumption that all property that is now taxable will remain taxable. Should the efforts to secure property tax exemption for co-operatives be successful, it will be necessary for the City Council to increase the mill levy to 12 mills or drastically cut governmental services in order to balance the municipal budget. It is assumed that similar steps would have to be taken by the School District. A future danger of tax exemption lies in the continuation of the State with the tax exemption program for new industries. These exemptions will certainly make it mandatory for the City Council to consider further increases in property taxes in future years on the property owners who remain to pay taxes for the new industries that locate in the City, thus freeing them of their rightful responsibility to support their local government. These are real dangers with which the people of Anchorage should become well acquainted so that they may realize the significance that potential tax exemptions will have on their property tax bill, especially when the City is in a growing cycle. In contrast to the requests for tax exemption by the co-operative utilities and new industries, the City of Anchorage utilities provide support to the general government equivalent to almost seven (7) mills.

The 1959 budget shows \$300,000 payment in lieu of taxes and another \$533,000 in dividends. If the City should follow the policies that are being fostered by supporters of local tax exemption for co-operatives, the tax rate would have to be increased seven (7) mills, but the municipal electrical rates would be drastically decreased. If the State Legislature should change the existing laws, it would be totally unfair for the electrical consumer on the municipal system to continue making contributions to the General Fund to the same extent that he now does through his electrical bill when the City customers of a competing utility would be paying practically nothing toward the support of the municipal government.

Some of the revenue sources available to the General Fund for 1959 are subject to radical change in the event that the State Legislature makes radical changes in the present tax sources available to municipalities. The City Council is advised to keep in mind that the subventions of state-collected revenues shared with the cities in the form of business license tax and sharing of the liquor license revenues are major sources of revenue that the property owner should protect, because it represents the equivalent of at least 2 1/2 mills additional levy on taxable property within the City. The City has received a

slight token payment in lieu of tax in prior years in the amount of \$1300 from the Alaska Railroad. When the Alaska Railroad entered into an agreement for fire protection with the City in 1955 to pay the City \$30,000 in lieu of tax payments for this service, it enabled the Railroad to save \$70,000 per year by reduction of their personnel hired for fire fighting purposes. Subsequently, this contract was ruled invalid, and the Railroad construed the interpretation that they also would not have to make any further payments in lieu of tax to the City for any purpose. Thus, the Anchorage taxpayer is increasing his subsidy to the operation of the Alaska Railroad by paying the Railroad's share of local governmental responsibility. It is estimated that if the Railroad paid taxes as a private corporation that the tax rate for the City could be reduced three mills, because it would spread the burden of taxes to taxable property within the city limits.

The 1959 budget has been able to be balanced with no tax increase for General Fund services (other than requirements for the port--1 mill) primarily because of the management of the 1958 budget and because collections of revenue are above estimates. These influences will make available approximately \$75,000 in surplus at the end of 1958. This surplus is included as a revenue source for 1959. Everyone recognizes that the surplus estimate is a calculated risk, depending upon snow and ice clearance requirements between now and 1959.

The expenditures of the General Fund are designed to carry out a program of municipal services at approximately the same standard that existed in 1958. The service standards for each function are described in the work program by budget accounts. In keeping with the new horizons that are facing the City, there are areas in which improved services are contemplated and construction of new facilities through bond issues have been provided for. These changes and improvements are highlighted in the following summary:

Assist the Charter Commission in providing funds and co-operative assistance as needed to draft a charter for approval by referendum at the earliest possible date.

Payment of interest on \$1,500,000 of bonds has been included so that bonds can be sold to provide funds for approximately 70 blocks of paving and additional storm drain facilities where surface drainage problems exist.

Funds to be provided as the City's 10% share of highway construction within the City by the Bureau of Public Roads.

Priority should be given to petitions requesting sanitary sewers in the annexed areas to the City when petitions for these improvements are presented. Bond funds will be required to extend sewer facilities to the Alaska Methodist University campus in 1959.

Improvements to Merrill Field Airport, utilizing \$100,000 of Federal Aid, will permit the airport to provide the types of service essential for the constant growth of small aircraft.

City Planning will be continued with emphasis placed on formulating a preliminary Master Plan, including the studies already completed and in the process of completion.

The comprehensive origin and destination survey will be completed by the Bureau of Public Roads, and this information will be utilized to firm up the Master Plan of Streets and Highways, to provide significant guidance in purchasing off-street parking lots, and to plan for the comprehensive acquisition under the improvement district procedure.

Preliminary plans for the new Safety Building will be completed as a guide to provide headquarter facilities for both Fire and Police functions, including fire alarm, municipal court, and jail facilities, with the proposition to be presented to the voters at the next general election for bond authorization.

Make provisions for using the new Juvenile Detention Home, which is scheduled to be completed by the Territorial Juvenile Board in 1959.

Police Department to change to women dispatchers on an experimental basis to improve utilization of manpower for patrol functions.

Urban Renewal projects for Government Hill, Westchester, and Traversie-Northern Lights Area to proceed toward completion with the assistance of the Alaska Housing Authority.

To provide 65 additional special garbage containers to fully utilize the Dumpmaster collection equipment and thus improve the garbage collection service where volume has been a problem and demand for service has been the greatest.

Purchase and place in operation a new vacuum-type street sweeper to increase the standard of service of street cleaning through utilization of the latest model vehicle to clean streets in early spring and late fall which is now impossible with present mechanical sweeping equipment.

Complete the installation of new radio-controlled traffic signals in the downtown area that was started in 1958.

Provide additional funds for travel for the City Council in order to adequately represent the City at the State Legislature on legislation that will have an effect on local self-government.

Begin tax re-appraisal of land values throughout the City as a joint project with the School District, utilizing an appointed advisory committee.

Begin full scale operation of Goose Lake as a summer-winter recreation area for both swimming and ice skating.

Improve public information services by means of regular TV programs and special reports through the news media on current municipal problems and accomplishments.

Establish administrative organization for the Port and Terminal Facilities project and appoint a Port Director to administer such organization.

The City Manager to make personal inspections of departmental operations and to view detail administrative problems at first hand in order to provide a more effective administrative organization.

Give study and recommend re-organization of the Building Inspection function in view of the potential increase of building activity for 1959 and to continue a progressive program of condemnation of unsafe buildings.

Provide for small improvement districts for the rebuilding of sidewalks where public safety demands.

To institute IBM accounting on a contract basis in the function of handling traffic tickets at the Municipal Court, and to give continual study from this pilot operation toward the eventual conversion to punch card accounting and utility billing when City Hall space becomes available.

Major increases in expenditures, primarily for bond principal and interest requirements on general obligation bonds for the Port and Terminal Facilities construction, have made it necessary to recommend an increase from 10 mills to 11 mills in the tax levy. The interest expense for the present outstanding bond issues and the issue contemplated for new street bonds has increased the interest expense by approximately \$14,000. Also, the General Fund is having to contribute \$52,000 more to the Special Assessment Fund because this is the first year of full impact on the General Fund's obligations in the Special Assessment Program.

It is particularly significant that the budget, as submitted, does not cover all the departmental requests. These are contained in a separate document which will be presented to the Council as "Supplemental Requests." The high priority request, in the opinion of the City Manager, is the establishment of a Personnel Officer. The City employees will be presenting a request to provide for pensions, beginning with the 1959 budget. Painting of the Library interior should be accomplished in order to maintain the appearance and high standard of service that is expected of this building which is a gift to the City by the Z. J. Loussac Foundation. Since there are no sewer petitions pending, no money was provided for the payment of interest on sewer bonds. It should be recognized that there is almost a certainty that money will have to be provided for this purpose in 1959. These matters will all receive the attention of the City Council at the specific time that the policy decisions are to be made on these requests. It is believed that all expenditures, as outlined in the budget, are in keeping with the existing Council policies and any improvement of service standards or new services have not been included, thus leaving the initial decision concerning new services and improved standards to the City Council as policy matters.

UTILITY FUNDS

In the budgets for the three utility funds, consideration has been given to some of the growth factors that have been described in the beginning of this budget message.

The Water Utility has experienced very small growth in the number of customers but a very rapid growth in the extent of providing service to the Anchorage area. The increase in rates for the Water Department in 1958 has enabled this utility to make a 1%-of-plant-value contribution to the General Fund, make payments in lieu of tax, and provide funds for minor expansions in areas not now served with water. Details of these expansions are described in the work program of the Water Department budget. Because of recent turbidity problems, it is expected that the City is going to have to place a filtration plant high on its priority list. At the present time, general obligation bonds provide bonding authorization but, with the recent increase in water rates, it appears that revenue bonds should be considered to finance this new facility. The Territorial Department of Health will then certify our public water supply as meeting all standards. Such certification is necessary if the City is to keep pace with the economic growth that is anticipated. The City Council will also be asked to provide bond funds for expansion of the water supply to the Rogers Park annexed area and to provide water to the Alaska Methodist University. This extension will make fire protection available to Green Acres and to the Mental Hospital site.

The budget for the Electric Utility fund has been presented on the basis of its existing service area. The Service Boundary Agreement, now in the hands of consulting engineers, will be a major decision for 1959. Once this area boundary is established and a more definite understanding can be reached with CEA in relation to pooling of the area's power resources, the City will be in position to make definite plans for meeting future requirements for power generation. When the decision is made reference to boundaries, the generation requirements can be analyzed and more accurately forecast so that the City Council can determine the policy of how to proceed in meeting electric generation requirements for its Electric Utility. The program proposed in the budget provides for upgrading of electric service, continuation of improved street lighting and traffic signals, and to make definite progress toward completing the underground services in the downtown area. Details of these improvements are found in the work program of the utility fund budget.

The Telephone Utility serves the Anchorage community and, in meeting this responsibility, has made some very rapid progress in the installation of new plant. The major achievement will be the completion of the three sub-exchanges, re-assigning telephone numbers under the 2-5 numbering plan, and activating these new central office improvements. Along with central office and sub-exchange facility construction has been an extensive outside plant construction, thus making available telephone service to many new areas, providing additional telephone service in existing areas, and permitting upgrading of service in all areas above the present standards now available. These improvements are in keeping with the new horizons that are facing Anchorage in 1959. It is anticipated that by the end of the 1959 fiscal year, 19,000 telephones will be in service. Only through this expansion of telephone customers will the Telephone Department be able to meet its expenses for maintenance and operation and for principal and interest requirements on its outstanding indebtedness. Examination of the Telephone budget reveals that 1959 will be a "tough" year financially because full plant utilization, being provided by the \$3,000,000 construction program, will not be revenue producing for the full fiscal year. This impact should be minimized by 1960. In the future, the financial position of the Telephone Department will become stronger as will its standards of service become vastly improved. The work program of the Telephone budget will give a detailed picture of its revenues and operating expenses.

* * * * *

The City Controller will continue to give close supervision to the expenditures by the departments in meeting his responsibility to keep expenditures within the appropriations unless Council authority has been granted. The department heads will still be charged with continuing their monthly reports so that their departmental performance can be evaluated with budgeted appropriations. The City Manager is grateful to the department heads for their realistic and team-concept approach to budgetary problems. With more personal inspection by the City Manager of departmental operations in 1959, continued improvement should be made in operating techniques and in co-ordinating work between departments.

The Controller and his staff are complimented for the detailed work they have performed on this budget and in working co-operatively with all department heads. The City Manager's staff and the personnel in the Fire Department have been most helpful in the preparation and assembling of this budget document.

The City Manager submits this budget as a balanced revenue and service program, with the recommendation that a 11-mill levy be considered when the tax rate is set for 1959 as the only means now available to meet the growing responsibility that faces the City and in keeping pace with the new horizons that are prominently visible for the year 1959.

Respectfully submitted,

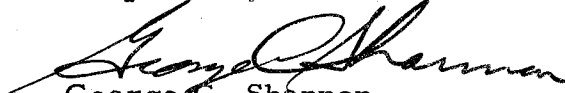

George C. Shannon
City Manager

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SUMMARY OF SOURCES OF
ALL

REVENUES

	<u>Estimated 1958</u>	<u>Estimated 1959</u>
<u>General Fund</u>		
Taxes	\$ 1,459,681	\$ 1,640,723
Other General Revenues	1,135,428	1,186,302
Revenues from Utilities	<u>463,150</u>	<u>522,956</u>
	\$ 3,058,259	\$ 3,359,981
 <u>Water Utility Fund</u>		
Revenue from Flat Rate Water Sales	\$ 575,000	\$ 630,000
Other Operating Revenues	26,960	25,500
Non-Operating Revenues	<u>190,997</u>	<u>212,640</u>
	\$ 792,957	\$ 868,140
 <u>Electric Utility Fund</u>		
Revenue from Sale of Electric Power	\$ 2,119,657	\$ 2,259,004
Other Operating Revenues	48,074	45,300
Non-Operating Revenues	<u>216,000</u>	<u>217,306</u>
	\$ 2,383,731	\$ 2,521,610
 <u>Telephone Utility Fund</u>		
Revenue Local Service	\$ 1,744,689	\$ 1,938,171
Other Operating Revenues	129,382	91,600
Non-Operating Revenues	<u>292,884</u>	<u>304,701</u>
	\$ 2,166,955	\$ 2,334,472
 TOTAL REVENUES	 \$ 8,401,902	 \$ 9,084,203

REVENUES AND EXPENDITURES
FUNDS

EXPENDITURES

	<u>Estimated 1958</u>	<u>Estimated 1959</u>
<u>General Fund</u>		
Operating Expense	\$ 2,474,710	\$ 2,740,796
Debt Service	583,549	619,185
	<u>\$ 3,058,259</u>	<u>\$ 3,359,981</u>
 <u>Water Utility Fund</u>		
Operating Expense	\$ 416,755	\$ 478,355
Debt Service	238,732	215,075
Contribution to General Fund	14,500	44,580
Construction	<u>122,970</u>	<u>130,130</u>
	<u>\$ 792,957</u>	<u>\$ 868,140</u>
 <u>Electric Utility Fund</u>		
Operating Expense	\$ 1,562,008	\$ 1,645,776
Debt Service	4,350	4,350
Contribution to General Fund	370,076	402,571
Construction	<u>447,297</u>	<u>468,913</u>
	<u>\$ 2,383,731</u>	<u>\$ 2,521,610</u>
 <u>Telephone Utility Fund</u>		
Operating Expense	\$ 1,112,358	\$ 1,197,046
Debt Service	683,139	746,920
Contribution to General Fund	78,574	85,805
Construction	<u>292,884</u>	<u>304,701</u>
	<u>\$ 2,166,955</u>	<u>\$ 2,334,472</u>
 TOTAL EXPENDITURES	 \$ 8,401,902	 \$ 9,084,203