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**CITY OF ANCHORAGE**

**1960**

**BUDGET**



Prepared by

**THE OFFICE OF THE CITY MANAGER**

for

**THE CITY COUNCIL**

**Anchorage, Alaska**

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**CITY OF**

COUNCIL - MANAGER GOVERNMENT



PLEASE USE AIRMAIL

**ANCHORAGE**

POST OFFICE BOX 400 ANCHORAGE, ALASKA

November 24, 1959

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

Gentlemen:

Many of the predictions of "new horizons" set forth in the 1959 budget have come to pass and are basic considerations for the 1960 budget. These considerations include (1) the actions of the 1959 Legislature which affects municipal finance, (2) the annexation of at least 18% more property area into the city, (3) preparation of an area-wide plan of Land Use, (4) the adoption of a City Charter by the people, (5) the approval of bond issues, (6) the granting of a gas franchise, and (7) various actions of the City Council which have influenced financial policies. Reference to these events will be made throughout this budget message.

Some of the problems mentioned for 1959 will be continuous in nature and will also have an influence in 1960. This is certainly true with the continuing defensive action to protect the city's interest with reference to State legislative action. The objective of creating borough government will require time-consuming effort. The evaluation of requests for annexation by people living in adjacent urban areas on the fringe of the existing city limits will continue to demand consideration. Traffic congestion and the increasing number of cars and population will require a positive program of improving major highway routes with the BPR, State, and other public agencies for both immediate relief and long-range relief. Utility problems, such as the proposed Boundary Agreement with CEA, an action program for electrical generation, and decisions on purification of the water supply, all will have an influence on our work program for 1960. The City Council and the people must continuously weigh their desire of satisfying public demands for service and constructing public facilities within the limits of existing revenue sources. They must make such decisions as raising property taxes or creating new sources of revenue versus the propositions of reducing standards of service and postponing construction of future street, sewer, school and other com-

munity facilities. The year 1960 will also require enactment of new ordinances to implement the requirements of the Charter in regard to the operation and organization of the city government.

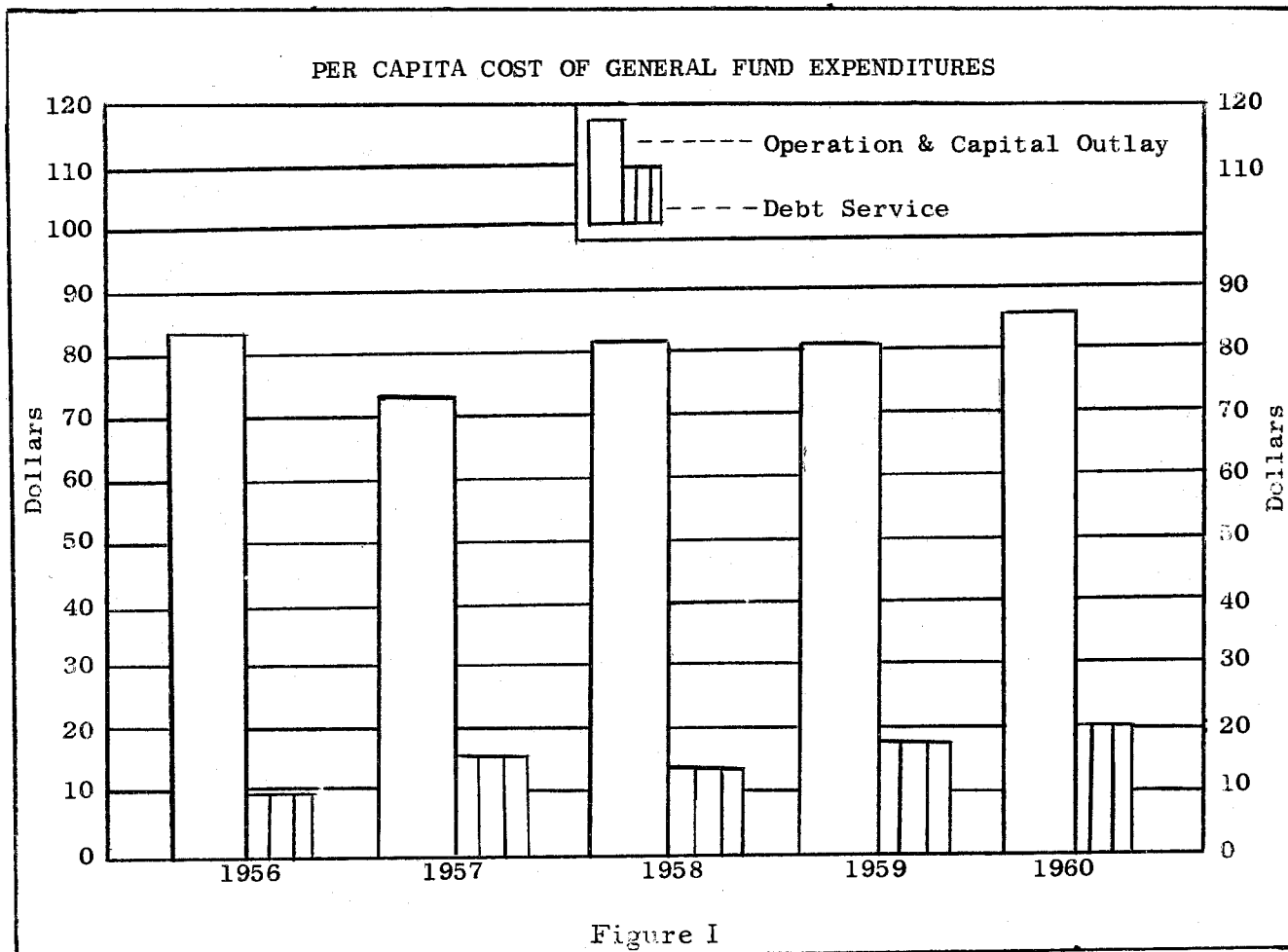
All of the above items for consideration in 1960 are problems that must be dealt with positively, if the City of Anchorage is to continue its march of progress and its leadership in serving its people with local governmental services. Evidence of meeting the financial problems head-on are found throughout this document. For example, in discussing needs and requirements with the various department heads operating under the General Fund, the first tabulation of requirements showed a need of \$340,000 more than was available from the revenues, including an 11-mill property tax. When this factor is coupled with the loss of revenue caused by tax exemption established by the Legislature, a realistic budget would require a 1-mill increase in revenue and a reduction of at least \$200,000 in departmental requests. Fortunately, the City Council has a choice of many avenues. It may increase the mill rate as recommended, search for new sources of revenue, or assume that the State-imposed tax exemption is not in keeping with State constitutional provisions of assuring home rule to cities. There are many areas for Council decision that will effect an increase or decrease in expenditures as shown in the budget.

In order that the City Council and the public may properly evaluate the recommendations found in this budget, the document is again prepared with a descriptive explanation of the various revenue sources and how the estimates were calculated. It also provides for a detailed description of the work that will be accomplished for the expenditures, which are divided into service functions. A five-year comparison of expenditures is shown for each account, and the expenditures are divided into personnel costs, capital outlay, and "other." These charts give the trends of expenditures for each account. Because of these details, the document appears bulky and formidable, but because of the size of the city's operations, such documentation is necessary in order that the Council may be acquainted with the many factors which they should weigh in making their decisions.

## GENERAL FUND

The General Fund budget has increased to \$4,075,000, as compared with \$3,472,000 for 1959, or a 17% increase in total budget. At first glance, this appears to be a substantial increase for general governmental services. However, upon analysis, considering the influence of annexation and increasing debt requirements, the per capita costs of government only represent about the same percentage of increase that the cost of living has increased within the area. This is aptly illustrated by a study of the per capita costs chart

in Figure I. With the 1959 annexations, it is estimated that the population of the city will be 38,000 in 1960. The total city government costs per capita are \$107, of which approximately \$20 is for debt service, leaving \$87 for the various municipal functions. This figure compares with the 1952 per capita costs of \$121 total costs, of which \$10 was for debt service and \$111 for General Fund services.



As has been the practice in the past, annexations for the future budget year cannot be accurately anticipated and, since no revenues would be available from any annexations that would occur in 1960, the budget is developed on the same basis that, as annexations occur, during the first year the municipal services will have to be spread thinner. The history of annexation and its effect upon the growth of the city is aptly illustrated on the annexation map shown in Figure 2. This reveals that the 1959 annexations have increased the city from 10.7 square miles to 12.1 sq. miles or 18½% which compares favorably with the increased population and the increase in government costs.

Population increase	15%
Area increase	18½%
Budget increase	17%

## GENERAL FUND REVENUES:

The general property tax still remains the main source of revenue for the General Fund. General classification of the revenues reflect the following proportions:

Property Tax	44%
Utilities (payment in lieu of tax and contributions)	24%
Service Charges	12%
Licenses and Permits (including those collected by the State)	11%
Other Revenues	9%

(5-year comparison of General Fund revenues are found opposite page 5)

The property tax estimate has been influenced by (1) the tax exemption of REA co-operatives from property taxes, (2) additional valuation added to the city's tax roll through annexation. The first factor represents a loss from the assessment roll of \$8,000,000 in property value or a tax loss of \$170,000 for the support of city government and the schools. This will be partially offset in 1961, when the State of Alaska appropriates to the city and the school district approximately \$45,000 (city \$10,000, school \$35,000) as payment in lieu of property tax, based on 2% of gross receipts. None of this money will be available to either governmental unit in its 1960 budget. Since the Legislature has established a state-wide policy that customers of consumer-owned electrical systems should not pay property taxes, then it is reasonable to presume that the customers on the city's electrical system should not make "payments in lieu of tax" based on property valuation. This imposes an additional revenue loss from property tax sources to the city government of another \$90,000. By adding these two tax losses together, you will find the following:

City Tax Loss from CEA	\$88,000
Tax Loss from ML&P	<u>90,000</u>
Total	\$178,000

Obviously, the only method by which this revenue could be made up is to place the burden on all the other property owners within the city, just as the School District had to do in its 1959-'60 budget. Since the tax roll is estimated at \$150,000,000, this would mean an increase of about 1.15 mills. For this reason, the budget is computed on a 12-mill tax rate for 1960, as compared with the 11-mill tax rate used in 1959. This increase is partially offset to those city property owners who are being served by the ML&P, which anticipates a 10% rate reduction as a result of the \$90,000 tax savings to ML&P for 1960.

# THE CITY'S GROWTH 1954 - 1959

Annex  
Year / Acres

Area	Annex Year	Acres
ANCHORAGE - 1950 (Approx. Boundary)		
A - Eastchester #1	1954	1500
B - Eastchester #2	1954	160
C - Annex Area #4	1954	38
D - Mountain View	1954	3480
E - Russian Jack Spgs.	1958	520
F - Rogers Park	1958	320
G - Spenard	1959	560
H - Fairview 1-2-4-7	1959	1100
		120
		<u>7798</u>

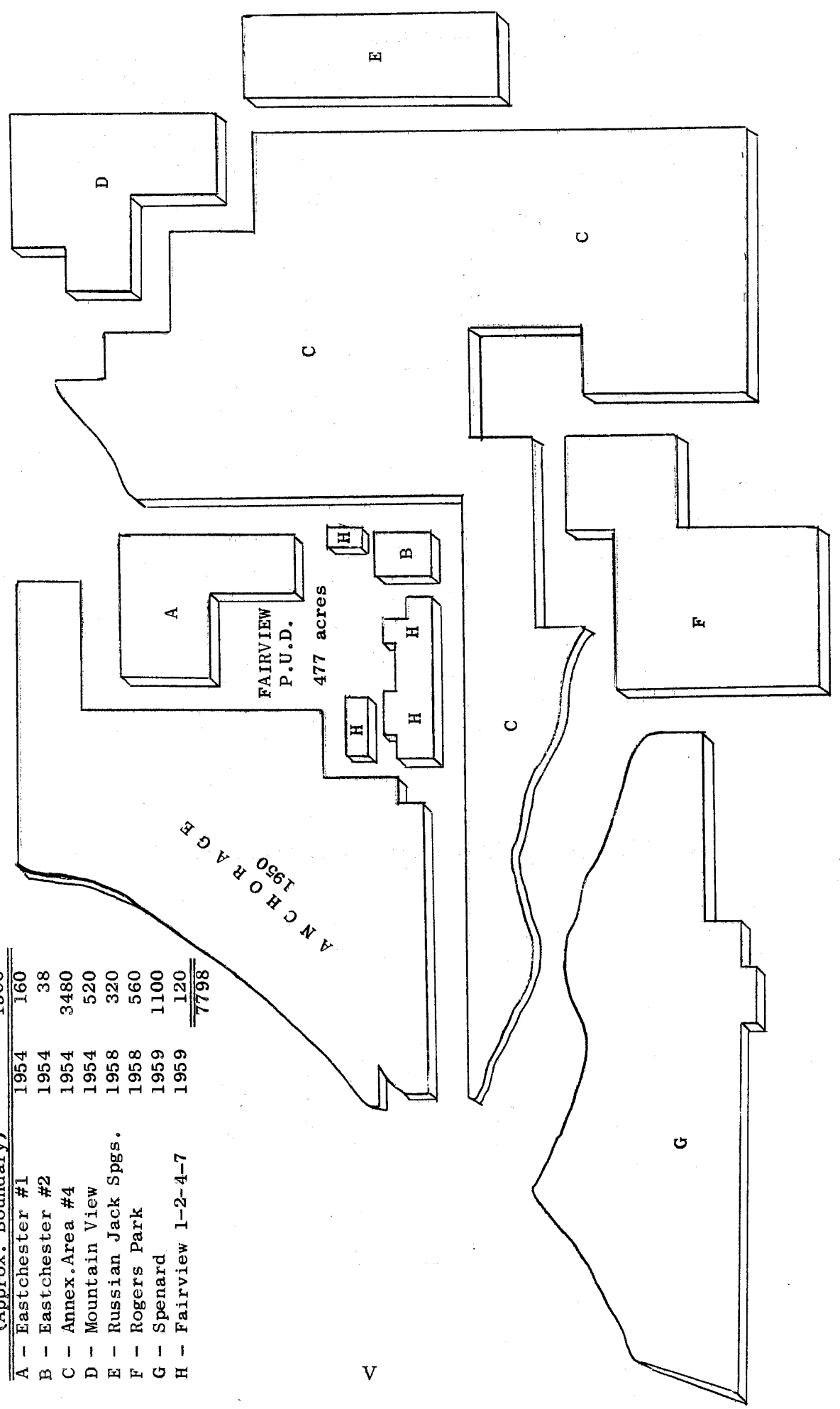


Figure 2

In 1959, the Land Evaluation Committee has been working with the Tax Assessor to have the tax values reflect current market values instead of the 1955 market values, which have been followed during the last four years. Preliminary reports from this Land Evaluation Committee indicate that the actual values will be in the neighborhood of \$250,000,000. It is assumed that 60% of the 1959 market values will be used, thus making a net assessed valuation of \$150,000,000. Should the City Council choose to change this formula and use a higher percentage for assessed valuation, then the assessment roll will be larger and the mill rate will be lower, but the net tax income could remain the same.

In addition to these above influences, the City Council may also choose to ignore the state law and tax the CEA co-operative on the basis that the legislation enacted in 1959 is unconstitutional in that it interferes with the constitutional concepts of home rule for local government. If this were done and the city won its case, then the 12-mill estimate could be lowered to 11 mills and still obtain approximately the same amount of revenue. The final tax rate will not be set by the Council until after it has met as a Board of Equalization in March. The decisions of assessment ratio and tax rate and the amount of revenue to be derived from taxation will be made at that time.

The second major source of revenue to the General Fund is collected from the municipally owned electrical, telephone, and water utilities in the form of payments in lieu of tax and contributions generally thought of as a dividend on the profits from these utility operations. Even with the \$90,000 not included as a payment in lieu of tax from the electrical department, the total revenue from the utilities to the General Fund is \$964,000. This represents the equivalent of 6 mills of property tax. \$435,000 of this total comes as a dividend on the operation of the electrical utility. Theoretically, since the State Legislature has indicated that customers of consumer-owned electrical systems should not be taxed and that electrical rates should not contain a tax structure, it appears reasonable also that they should not reflect a profit going to the General Fund. If this reasoning were followed, it would mean that the tax rate would have to be increased 3 mills to offset this dividend loss to the General Fund. The inequity of the present situation becomes obvious when city residents, who are consumers of the city electrical system, realize that they represent only about one-half of the people and that, through their electrical rates, they are paying the equivalent of three mills in taxes for all the property owners of the City of Anchorage. In addition, these city rate payers are not getting the benefit of the tax exemption on their income tax computations, because this contribution is not in the form of a tax but in the form of a profit. Assuming that the City Council did not choose to increase the tax rate 3 mills to cover this revenue loss, a more equitable solution would be for the city to reduce its electrical rates to wipe out payment

in lieu of taxes and the dividend and reduce the electrical revenue by \$525,000, which would mean approximately 20% reduction in the electrical rates. In lieu of this revenue source, the City Council could, under its home rule status, impose an Electrical Energy Use Tax that would apply to both the CEA customers residing within the city as well as ML&P customers to make up the difference in this revenue loss. The rate of this use tax would approximate 15%. The benefit would be that the consumers of ML&P electricity would get a 20% reduction in electrical rates, which would be partially offset by the 15% use tax, and all the consumers of the CEA within the city would then be paying the same rate of contribution to the General Fund that is now being paid by approximately one-half of the electrical consumers of the city. The 15% use tax could be charged off on income tax returns as an exemption--the same as property tax or sales tax. In this manner, equity would be obtained insofar as taxation is concerned on electricity consumers. Detailed explanations for the contributions of the utilities to the General Fund are found in the revenue section under payment in lieu of tax on page 7, and the dividends from the utility funds are found on pages 18 through 21.

There is little change in the license fees collected by the state and by the city, except the normal increase that is brought about by increased areas of annexation. The service charges, which include garbage collection and parking meter revenue, has increased only in proportion to increase in population. The same holds true for the other forms of revenue that represent only 9% of the total budget. Again, noticeably lacking in the City of Anchorage budget is the common form of taxation used by cities throughout the state; namely, the sales tax, which helps spread the burden of costs of community improvements. With all the tourist trade in Anchorage, it seems reasonable that some equitable formula could be resolved that would make some type of sales tax acceptable to the citizens of Anchorage. Such a revenue source would provide most of the additional revenue to meet some of the more pressing problems that require more substantial amounts of money, such as street paving, freeway construction, sanitary sewers, and storm drains, without creating an unbearable property tax structure. This is an area where the people are eventually going to have to face the facts of either reducing their requirements or show a willingness to pay for the community progress, from which all would enjoy and profit.

#### GENERAL FUND EXPENDITURES:

The expenditures of the General Fund are set forth under the various governmental functions and services performed by the city. Actually, each functional account is an explanation of the general nature of the work carried on by each division and the work program that is to be accomplished with the amount of money that has been recommended as an appropriation for its



function. These descriptive programs provide a standard of service. As the City Council reviews these work programs, they may find areas in which improved standards are desired and areas in which less service will be provided. Wherever changes are made in the appropriations, a change in the standard of service, as described in the work program, should follow. Only in this manner can a balanced budget be retained. Upon examination, you will find that costs of some services have increased because of annexation, yet in other services, such increased costs are not reflected. The major changes are highlighted as follows:

Fixed Charges relative to contributions to special assessment funds, interest on bonds, and payment of principal on bonds show an increase from \$623,000 in 1959 to \$780,000 in 1960. This one item represents 25% of the total increase in the 1960 budget over the 1959 budget.

A second major item of increase is the Fire Department, from \$371,000 in 1959 to \$479,000 in 1960. This represents another 16% of the increase. The reason for this large increase in the Fire Department function is that the City Council has given instructions to reduce the firemen's hours from a 72-hour week to a 64-hour week. This policy requires the employment of seven men in order to provide the same number of man-hours of work under the 64-hour week as has been provided in the 72-hour week. These seven men will cost the department \$65,000 in salaries and \$10,000 in annual leave payments. In other words, the net result would be no increase in protective forces even though there has been increased requirements because of annexation. Before this portion of the budget is adopted, the City Manager recommends that the City Council study a supplemental report and consider some modification of the policy that was adopted in May 1959 to shorten firemen's hours as much as 8 hours per week. Some compromise solution should be reached so that at least part of this increase will mean an increase in net fire fighting force. \$13,000 has also been set up as a first payment on a new fire truck.

The Police Department budget is increased \$51,000 in order to provide for more police officers and the operation of an additional patrol car. This will strengthen police services that have been weakened by a greater area of coverage caused by annexation. The Chief of Police has written a very comprehensive work program covering his departmental operations.

The budget contemplates the regular Personnel Survey, which is conducted once every three years at an estimated cost of \$6,000. Many positions have changed in scope of responsibility with the growth of the city within the last three years, yet wage adjustments should be carefully

considered in order to keep the salary plan workable. Also, there has been indication from private businesses that city salaries in some areas are above the prevailing wage scales.

The Planning and Zoning function shows an increase of one additional person functioning in the department. It is anticipated that the city will make application for a planning grant to match part of the Planning Department budget increase. With the Federal funds and the increased budget, a long range plan of municipal improvements with priorities can be completed.

The Municipal Garage account shows an increase of \$49,000. The only expenditure shown for this account as a General Fund item is the purchase of additional pieces of equipment. The reason for the large increase in this year's budget is to provide for the equipment requirements of the annexation area.

There are many other highlights that can be found in the work programs of individual departmental accounts which, when totaled, show an impressive amount of services that will be rendered to the citizens of Anchorage under the proposed budget.

The program presented is designed to present a balanced budget to the Council, as required by the City Charter. There is an unappropriated balance of \$8,907 which should remain available for unforeseen requirements. At the same time, it is pointed out that there is still approximately \$200,000 in supplementary requests which have not been met in this budget. These items too should be reviewed by the City Council as a part of the budget presentation.

## UTILITY FUNDS

### WATER UTILITY:

The large increase in the Water Department budget is accounted for primarily by the anticipated acquisition of the Spenard Utilities Corporation water system. This increases the water customers approximately 20%, by adding 500 new customers inside the city and 601 customers outside the present city limits. It is also anticipated that 400 new customers will be added throughout the consolidated system in 1960. New subdivisions, new industrial areas, and contract payments from the new Mental Health Hospital, the Alaska Methodist University, and some of the new schools have added materially to the "contributions in aid of construction." Although the budget shows that a part of the money that is charged to depreciation will have to

be used for payment of some of the outstanding bonds, it is believed that a modification of this budget proposal will be forthcoming later in the year, after obtaining more experience in the operation of the new water system and more definite information in regard to "contributions in aid of construction." It is anticipated that, before the end of the 1960 fiscal year, there will be \$346,000 in water projects that were started in 1959 to be completed in 1960, together with an estimated \$740,000 more in new projects. These projects are financed mostly out of bond fund monies. There will probably be new subdivisions which will require installation of water lines by the city that cannot now be anticipated.

#### ELECTRICAL UTILITY:

The Electrical budget contemplates a 10% reduction during the last six months of the fiscal year, should the City Council adopt the proposal to exempt the city electrical utility from making payment in lieu of city taxes, in order to ~~pay on a nondiscriminatory~~ basis with the CEA. The budget anticipat~~s~~ an 8% increase in sale of kilowatt hours and a small increase in total number of customers. Since the Boundary Agreement has not been resolved with CEA, there has been no consideration given to any budgetary change that would result in the operation and maintenance of the new facilities. Should the Boundary Agreement be resolved, then a new budget would have to be prepared at that time.

The city has been watching its source of generation very carefully, and it is rather apparent that positive action must be taken within the first 60 days of the new fiscal year to engage engineering consultants to make recommendations as to what course the city should follow in acquiring new generation facilities. The work program of the Municipal Light and Power Department re-emphasizes this necessity. The city has an obligation in providing this utility service in the same manner that it would have as a governmental service. The work program also explains its continuation of implementing the underground facilities, increasing transformer capacity, and activation of one new sub-station in order to maintain a high standard of electrical service to the ML&P customers. As rates decrease, it has been shown that power consumption increases. This, again, is a reminder of the seriousness of entering a positive program to augment our generation facilities within the next two years.

#### TELEPHONE UTILITY:

The Telephone budget shows an increase in revenues as a result of the completion of its \$3,000,000 expansion program. It is anticipated that 2500 new customers will be added during the year. Some additional expansion will be

made to one of the new satellite exchanges, making another 1,000 lines of equipment available. Because of the type of our new system, this addition will be made at fairly nominal cost. Plans are to be firmed up to expand the central exchange building for future additions and central office equipment within the next two years. Serious consideration should be given in planning a combination telephone and electrical building for the field forces, to be located at the corner of First and Post Road. Plans should be prepared in 1960 with a target of construction in 1961. In the design of the structure, features should be incorporated that would tend to bring about some consolidation of similar functions of these two utilities.

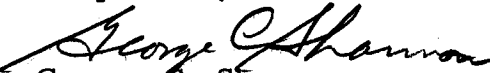
The Telephone Engineering section as well as the Administrative section will be strengthened in the new work program. The utility has grown to such an extent that strengthening supervision for more effective control will be implemented. Examination of the budget of the department reveals that the net earnings will more than meet the bond requirements under an earning ratio requirement of 1.9% above the principal and interest fixed charges. This will continue to improve the financial position of the Telephone Department and make future financing even more attractive.

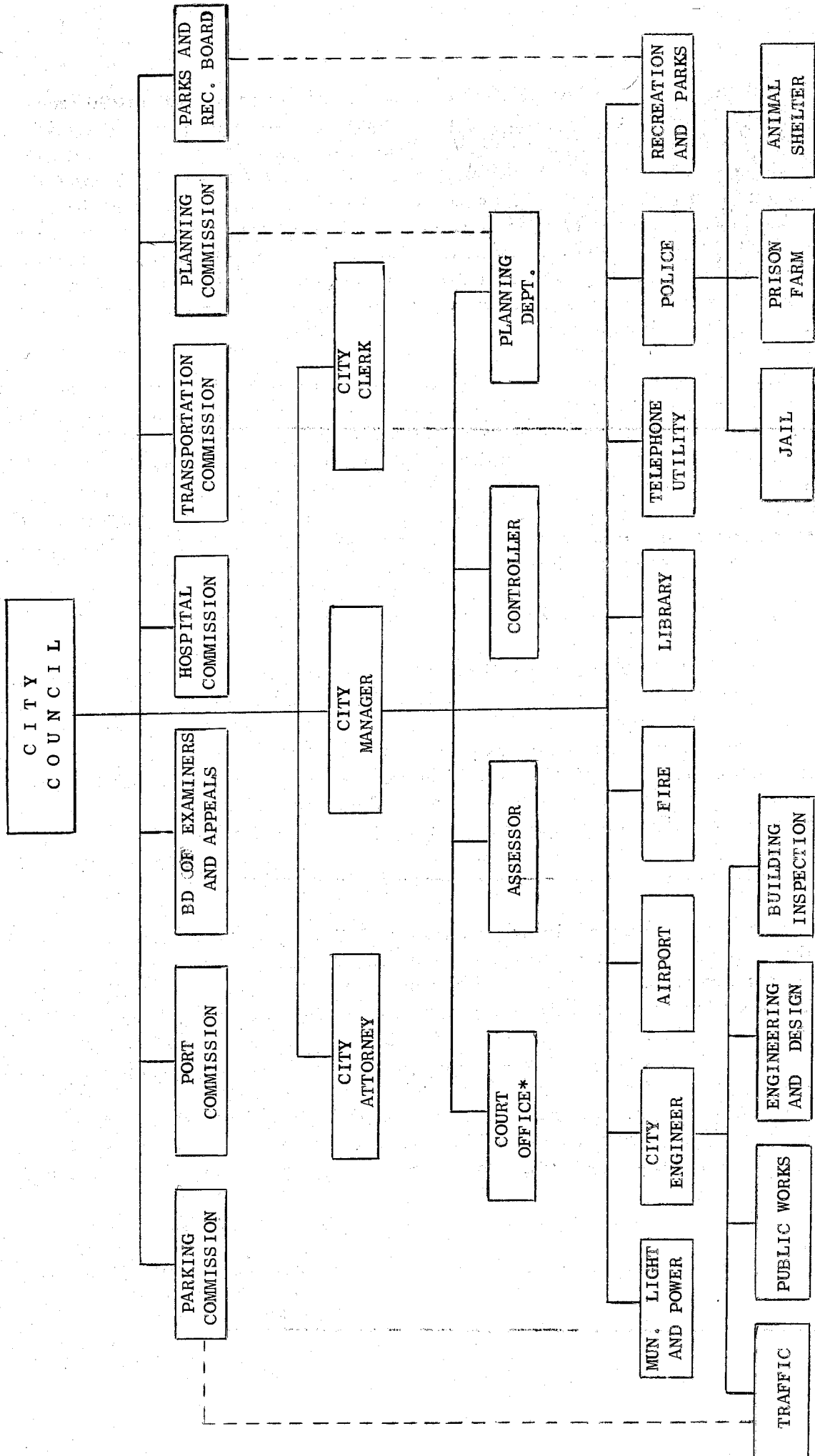
\* \* \* \* \*

The department heads have been particularly helpful in the preparation of this budget by preparing their work programs for the amount of money allocated by the City Manager. They have used a realistic approach and have recognized the responsibilities and requirements of other operating departments and have demonstrated a consciousness of the necessity of providing the total municipal service objectives. The Controller and his staff have spent long hours in the preparation of this budget and in checking the figures. The City Manager's staff and personnel in the Fire Department have been helpful in the mechanics of budget preparation.

This budget has been prepared in accordance with the Charter requirements, and the final budget, when adopted, will be controlled in accordance with the Charter requirements. The Charter requires that the City Council shall conduct an advertised public hearing not less than one week before final adoption. The Charter prescribes that the Council shall adopt by resolution a budget for the next fiscal year by December 22nd, and if a budget is not adopted prior to December 29th, then this budget proposal shall become the appropriation basis for the 1960 fiscal year. The City Manager and the department heads will be available at any time to discuss the details of the budget and provide any other information that will be required.

Respectfully submitted,

  
George C. Shannon  
City Manager



\* State function; City provides space and personnel and receives service and revenue.

-- Signifies liaison relationship.

CITY COUNCIL ACTION:

On December 22nd, the City Council adopted this proposed budget with the following changes:

	<u>Additions</u>	<u>Deductions</u>
City Council	\$ 2,250	\$
* Credited to Charge Utilities		6,000
City Manager	1,392	
* Credited to Charge Utilities		7,000
Planning Commission	11,800	
Dog Control	4,850	
Traffic Signals		2,385
Health Department	1,500	
Parks and Recreation	2,500	
Unappropriated Balance	_____	<u>8,907</u>
TOTAL	\$ 24,292	\$ 24,292

\* These account credits are charged to the three utilities equally, as representing the estimated amount of time spent on utility functions. Therefore, it should be paid directly by the utilities.

These changes have been incorporated in each budget account of the published budget document. In adopting the budget, the Council did make the reservation that the final mill rate would depend upon the total assessed valuation, as determined by the Board of Equalization in March.

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SUMMARY OF SOURCES OF  
ALL

REVENUES

	<u>Estimated 1959</u>	<u>Estimated 1960</u>
<u>General Fund</u>		
Taxes	\$ 1,680,001	\$ 2,121,281
Other General Revenue	1,259,299	1,293,241
Revenue from Utilities	532,956	661,070
	\$ 3,472,256	\$ 4,075,592
 <u>Water Utility Fund</u>		
Flat Rate Water Sales	\$ 660,000	\$ 718,550
Other Operating Revenues	25,500	30,240
Non-Operating Revenues	358,640	283,379
	\$ 1,044,140	\$ 1,086,969
 <u>Electric Utility Fund</u>		
Revenue from Sale of Electric Power	\$ 2,284,002	\$ 2,338,828
Other Operating Revenues	45,500	71,000
Non-Operating Revenues	217,306	221,500
	\$ 2,546,808	\$ 2,631,328
 <u>Telephone Utility Fund</u>		
Local Service Revenue	\$ 1,922,000	\$ 2,126,000
Other Operating Revenues	105,000	95,000
Non-Operating Revenues	494,426	419,837
	\$ 2,521,426	\$ 2,640,837
 TOTAL REVENUES . . . . .	 \$ 9,584,630	 \$ 10,434,726



REVENUES AND EXPENDITURES  
FUNDS

EXPENDITURES

	<u>Estimated 1959</u>	<u>Estimated 1960</u>
<u>General Fund</u>		
Operating Expense	\$ 2,850,545	\$ 3,294,691
Debt Service	<u>621,711</u>	<u>780,901</u>
	\$ 3,472,256	\$ 4,075,592
<u>Water Utility Fund</u>		
Operating Expense	\$ 463,760	\$ 580,606
Debt Service	229,670	340,642
Contribution to General Fund	44,580	58,952
Construction	<u>306,130</u>	<u>106,769</u>
	\$ 1,044,140	\$ 1,086,969
<u>Electric Utility Fund</u>		
Operating Expense	\$ 1,554,974	\$ 1,702,890
Debt Service	120,350	-0-
Contribution to General Fund	402,571	435,038
Construction	<u>468,913</u>	<u>493,400</u>
	\$ 2,546,808	\$ 2,631,328
<u>Telephone Utility Fund</u>		
Operating Expense	\$ 1,276,131	\$ 1,414,590
Debt Service	746,654	716,560
Contribution to General Fund	85,805	167,080
Construction	304,701	342,607
Unappropriated Balance	<u>108,135</u>	<u>-0-</u>
	\$ 2,521,426	\$ 2,640,837
 TOTAL EXPENDITURES . . . . .	 \$ 9,584,630	 \$ 10,434,726