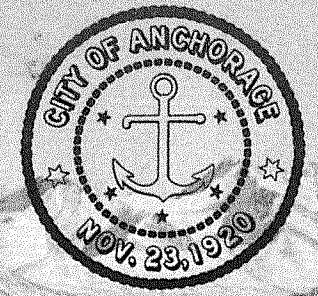
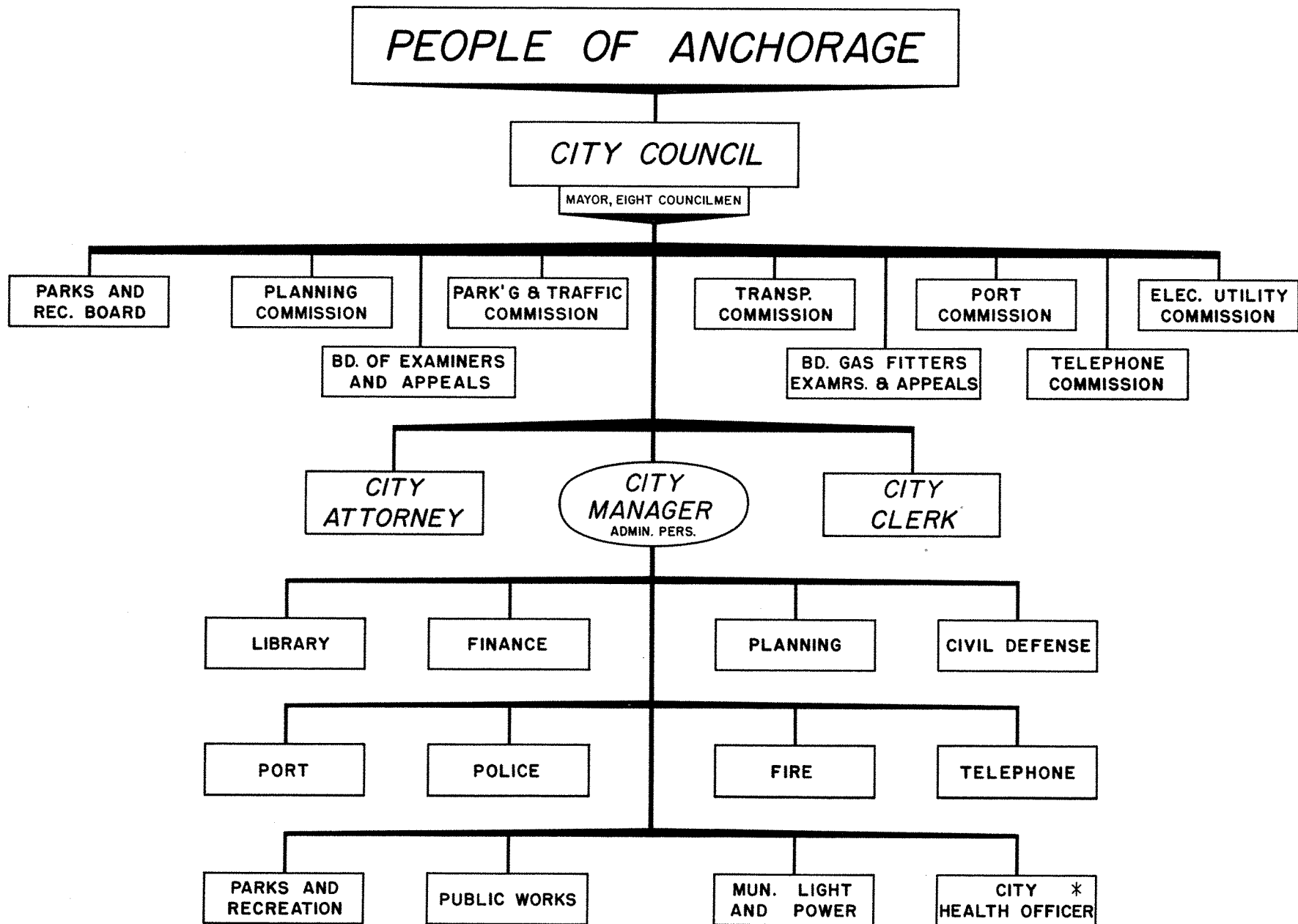


PROGRAM OF SERVICE



1964 BUDGET

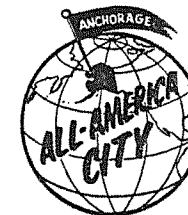


THE BOARDS AND COMMISSIONS SHOWN HERE ARE ESTABLISHED BY ORDINANCE.
 * BY CONTRACT WITH STATE DEPARTMENT OF HEALTH AND WELFARE.

ANNUAL BUDGET
CITY OF ANCHORAGE
ALASKA
FOR THE YEAR
1964

COMPILED AND SUBMITTED BY
ROBERT H. OLDLAND
CITY MANAGER

CITY OF ANCHORAGE



MAYOR

GEORGE SHARROCK

CITY COUNCIL

Joseph A. Yesenski	Sewell F. Faulkner
Frank Feeman	George Byer
E. N. Courtney	Clifford J. Groh
C. A. Hostetler	David Green

APPOINTED OFFICIALS

Robert H. Oldland	City Manager
B. W. Boeke	City Clerk
Harland W. Davis	City Attorney

STAFF

City Health Officer	Dr. David Duncan	Parks & Recreation Director.	Mrs. Alice Rhoden
City Librarian	Miss Irene Griffith	Planning Director	E. Jack Schoop
Civil Defense Director	Lt. Col. Douglas Clure (USA Ret.)	Police Chief	John Flanigan
Finance Director	James P. Bell	Port Director	Capt. A. E. Harned (USCC Ret.)
Fire Chief	George Burns	Public Works Director	Orren Hillman
Manager, Municipal Light & Power.	Carroll A. Oliver	Telephone Utility Manager.	Jack Harris

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December 16, 1963

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

Gentlemen:

As required by Section 6-2, Chapter VI of the City Charter, there is herewith submitted Operating and Capital Improvement Budget proposals for your consideration, based generally on comparisons of the adjusted 1963 budget and the Council-directed 1964 budget. It should also be noted that Utility budgets are presented on a net income basis for the first time, thus permitting evaluation on a private industry approach.

The Administration is fully aware of the Council's concern with rising costs and with the effects of potential tax increases. This concern is pertinent to taxing policies of other local government agencies as well as to those of the City of Anchorage. The 1964 budget, as established by the Council, is the direct result of legislative efforts to effect a minimal tax increase for 1964, even to the extent of approving a reduction in degree of some municipal services.

As stated during budget hearings, the City Manager believes that with the reduced budget the City will be hard pressed to respond to citizen demands during the coming year. Every effort will be made to exercise economies and to achieve the maximum possible degree of service within budget limitations. However, it is extremely important that the Council assist the Administration in making the citizen public aware of actions taken and the reasons therefore, as well as to consistently evaluate proposals for new spending as they may arise during 1964.

Discussions during the Public Hearing on the Budget covered use of possible land sales revenues, the desirability of restoring funds for certain purposes if practicable during 1964, and the chances for an improvement in tax revenues when the rolls are finally closed. The Administration had proposed making a serious effort to dispose of surplus City lands to permit increasing the tax base through private ownership and improvements, as well as a source of additional funds to help absorb the cost of capital items and to assist in the amortization of an increasing debt service requirement. Council has indicated an intention to use such revenues for restoring necessary capital items presently deferred in the 1964 budget, with other uses to be determined when the revenues become available. As to the possibility of further increase in

tax rolls from new construction, et cetera, a budget is necessarily the best possible estimate that the departments and the Administration can make and the final revenues and expenses may be higher or lower when the year is over. For example, the Assessor forecasts the tax base changes in part on an analysis of building permits issued during the first nine months of 1963 and evaluates those subject to assessment, together with an estimate of those to be issued later for 1963 construction and the percentage of completion assessable on January 1, 1964. No one item can be accurately known until construction ceases December 31, 1963 and assessment work completed as far as possible in March 1964. Even then the mill rate must be set in April with full realization that several supplemental real and personal property tax rolls will be compiled during the year, containing revenues which could not possibly be determined in the fall of 1963.

Before proceeding with an analysis of the budget itself, it is important to note that \$370,000 or 1.6 mills more in revenue is required to finance the 1964 budget than was experienced during the past year for factors beyond the control of the Administration or Council, as follows:

\$ 137,000	less payments in lieu of taxes from Utilities because of the need for changing from a 100% of valuation basis to 70%.
128,000	increase in debt service requirements.
75,000	for Fairview P. U. D. revenue in 1963 not available in 1964.
30,000	revenue from sale of City land in 1963 whereas Council directed that no land sale revenue be forecast in the 1964 budget.
\$ 370,000	"New revenue" required for 1964 budget regardless of any increase in forecast expenses. Based on anticipated tax base of \$233,000,000, this indicates a 1.6 increase in mill levy, equivalent to stating that a 10 mill budget would necessarily become a 11.6 mill budget.

* * * *

The grand total of the Administration-recommended 1964 budget, General Fund and all Utilities, was \$16,083,923. The City Council has directed the preparation of an all-funds total budget of \$15,713,307, compared to a revised 1963 appropriation of \$14,682,613. Comparisons of budget totals for each of the distinctly categorized municipal operations reveal the following:

	<u>Adjusted Budget 1963</u>		<u>Budget 1964</u>		Increase (Decrease)
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	
General City Operations	\$ 6,106,427	41.6%	\$ 6,345,655	40.4%	3.7%
Electric Utility	3,136,000	21.4%	3,334,000	21.2%	6.3%
Port of Anchorage Municipal Terminal	394,750	2.7%	550,700	3.5%	39.5%
Water Utility	1,248,500	8.5%	1,407,000	9.0%	12.7%
Telephone Utility	3,181,100	21.7%	3,430,000	21.8%	7.8%
Mechanical Maintenance	<u>615,836</u>	<u>4.1%</u>	<u>645,952</u>	<u>4.1%</u>	<u>4.8%</u>
TOTALS	\$14,682,613	100.0%	\$15,713,307	100.0%	7.0%

GENERAL FUND

The 1964 budget for General City Operations (General Fund) shows an increase of about \$351,000 over the adjusted or final 1963 budget. However, the City Manager originally found an additional \$239,000 to be necessary to cover the essential needs of the City for 1964. The deletion of this amount by Council will mean a reduction in the degree of services to the citizens in a number of categories. It is easy to say, "Just cut the fat, not the meat" but the past budgets of this City have been too carefully scrutinized by conscientious officials and tax-conscious citizens to contain much "fat". Even those employees not seen by the citizens are necessary to furnish support and back-up for employees "on the firing line" such as firemen, policemen, paving repairmen, and clerks taking applications for utility services.

A breakdown of the General Fund budget shows the following:

	<u>Adjusted Budget 1963</u>		<u>Council Adjusted Budget 1964</u>		Increase (Decrease)
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	
Personal Services	2,734,856	44.8%	2,685,026	42.3%	(1.8%)
Contractual	1,248,912	20.5%	1,460,941	23.0%	17.0%
Supplies	190,643	3.1%	200,148	3.2%	5.0%
Unclassified*	63,067	1.0%	297,742	4.7%	372.0%
Capital	448,246	7.3%	153,547	2.4%	(66.0%)
Debt Service	<u>1,420,703</u>	<u>23.3%</u>	<u>1,548,251</u>	<u>24.4%</u>	<u>9.0%</u>
TOTALS	6,106,427	100.0%	6,345,655	100.0%	3.9% Average

* Unclassified includes the end-of-the-year Contingency fund in 1963 compared to the beginning-of-the-year figure in 1964.

It can readily be seen that the nominal increase in the total budget of 3.9% largely results from the beginning-of-the-year contingency fund in Unclassified, contractual, and debt service. The decrease in Personal Services despite a net increase of six new employees and the usual pressure of longevity increases is partially caused by a change in the leave reserve program. In general, previous budgets were based on 11-1/2 months plus 16% for each employee, to reflect cost of annual leave. The 1964 budget is based on 12 months only in Personal Services but the \$165,000 estimated as cost of the new retirement and group insurance program effective January 1, 1964 is now included as insurance in Contractual. If this is deducted from Contractual, the balance of the increase totals \$47,000.

The increased Debt Service requirement of \$127,548 is a large and uncontrollable factor, serving to emphasize that almost \$1 out of every \$4 of General Fund revenue must be set aside to pay off this much of paving, sewers, and other capital improvements bought on the "Enjoy Now- Pay Later" plan in the past. Changes have been made in assessment policies which will lessen the need for new bonds in the future but the City is faced with a period during which its high level of debt service represents a serious burden.

Mention has already been made of the deferral of proposed Capital expenditures pending Council review of the subject if and when land sales revenues are available. It is pertinent to note, however, that the deferral of \$77,885 is relatively small compared to the total reduction of \$295,299 over the Adjusted 1963 Budget. Instead of suggesting a drop in the number of desirable capital projects needing consideration, the reduction is merely due to the Administration insistence on postponing all requests which failed to meet the test of a high priority rating. The community will suffer in some degree for each postponement but there is no real choice under the present tax structure.

ELECTRIC UTILITY - MUNICIPAL LIGHT AND POWER DEPARTMENT

The Electric Utility continues to show steady growth and at decreasing unit costs to its customers. A significant indication of its value to the citizens and taxpayers is the 1964 contribution to the General Fund of \$638,280, without which the property tax would be 2.7 mills higher. A major development in 1964 will be the availability of power from the second gas turbine, giving assurance that a breakdown in Eklutna or either turbine will not interfere with delivery of power to the Utility customers. This self-financed additional investment will require \$158,000 in payments during 1964 and the citizens can note with pride that this does not interfere with the usual substantial contribution to the General Fund.

ANCHORAGE MUNICIPAL TERMINAL - PORT DEPARTMENT

The Port of Anchorage Municipal Terminal continues to show substantial growth with cargo revenues forecast about 70% over 1963. However, the bond service and necessary capital improvements result in a deficit of \$59,052 and a reservation of contingency funds is indicated to cover this amount. This properly raises the question, "Why is it worth it" and attention is invited to the detailed discussion of the auxiliary benefits to the community in the Port section of the budget. The related payrolls of over one and one quarter million dollars, the local and state taxes, the new money spent by over a thousand visiting crewmen, and the potential developments of land and tidelands all represent byproducts of real value to the taxpayers without reflecting in the specific budget. Immediate decisions are required on the future programming and financing of the Port and the Council is joining the Port Commission and staff in evaluating the alternate courses of action available.

WATER UTILITY - WATER DIVISION

The historic operation of the Water Utility as a byproduct of the various functions of the Public Works Department was changed by Council approval on October 8, 1963 by the formation of a separate Division within the departmental organization. The reorganization became effective November 1 and real progress is expected during this coming first full year of specialized management and effort. Forecast net income of \$309,904 is almost 90% over 1963 and about triple that of 1961, despite tax equivalent payments based on 70% instead of 100% of value of plant. One of the areas of special attention will be encouragement to properties located on existing distribution lines but not yet hooked up, thus capitalizing on potential assessments and water revenues at a minimum additional cost to the Utility. Capital Improvements totalling \$266,000 will be covered by non-cash depreciation. It is also good to note that bond retirement and interest requirements have declined for the first time and this trend should continue. Special priority for the new management will be in billing, selling, storage, and balancing of the system through supply, pressures, and area demands.

ANCHORAGE TELEPHONE UTILITY - TELEPHONE DEPARTMENT

The Telephone Utility in 1964 will be concerned with planning, construction and development of its potential, and service expansion continues to be very limited. "Just around the corner" is completion of (1) outside plant installation, (2) the new wire center, (3) the new central office equipment installation, and (4) the new Plant Service Building. The new budget focuses special attention on Maintenance costs because of a real indication that these have become excessive and out of line with Bond Prospectus projections. The Administration and the Commission finally reached general agreement with the staff on a plan for tighter control procedures in 1964. This necessarily recognizes, however, a possibility that adjustments may be required in both revenues and expenses during the year. The Department is hopeful that a more equitable division of toll revenues will shortly be negotiated with the Alaska Communications System. There is every indication that the present average income of 68.7 ¢ per toll call should be materially increased.

MECHANICAL MAINTENANCE DIVISION

The Mechanical Maintenance Division of Public Works is now shown as a self-sustaining operation to better reflect the way it has actually operated. It acquires, maintains, repairs, and replaces vehicular equipment for all segments of the City except the Fire Department. All costs are recouped through appropriate rental charges to the using departments, and these charges are changed as experience proves necessary. The sum of \$180,000 is available during 1964 for the purchase of new and replacement equipment. A comparison of charges for any particular vehicle may make the unit cost seem high or low but this is a natural result of averaging costs by category, and the end result of "no profit - no loss" is evidence that the program is accomplishing its overall purpose.

GENERAL REVIEW - 1964 BUDGET

The cost of Personal Services has a built-in factor not visible in the various budgets but well-recognized by industry and other governmental agencies. This is the "mandatory increase" resulting from

longevity increases in a group which tends to consist of more and more experienced employees. The City is also subject to re-evaluation of salaries and wages from time to time so that employees will be compensated reasonably in line with prevailing area rates for comparable services, a process accomplished through bargaining upon contract termination in the case of its organized groups. Costs of materials and supplies are subject to the same rather steady rate of what some call inflation, otherwise "economic growth", and this factor is equally beyond control of the City except through constant study of the best and most economical type of product and source of supply.

There are many items properly includable in the 1964 budget but deferred by the necessity of living within available revenues. The City's investment in paved streets should be protected by a much greater allowance for seal coating, and continued minimizing of this program will cost property owners and taxpayers more in the long run through shortened life and increased maintenance costs. The acquisition and development of park and recreation areas pay for themselves in the long run by increased tax bases and encouragement of new investments by local and outside interests, while a delay guarantees increased land and development costs. Thus deferring such improvements is costly though completely necessary in 1964. A recent survey showed a generally run-down condition of City buildings and very substantial expenditures were indicated. Such work can be postponed and most of it is, but light, ventilation, and other working conditions suffer, though perhaps the more important factor is the unfavorable image seen by our visitors.

The budgetary outlook for the next several years is influenced by divergent factors. Bonded debt, hopefully, has fairly well reached a plateau in which improvement district assessment procedure changes will permit a gradual decline in the total debt outstanding with a larger percentage of revenues available for service programs. Deferred maintenance and capital programs will exert pressure on attempts to maintain a satisfactory level of income from property taxes. The effect of the borough is largely a matter of conjecture at present despite all of the studies that have been and continue to be made, including changes resulting from the shift of the assessment function from the City to the borough. The completion of the current telephone plant and equipment expansion programs and solution of the short-term pressures of Municipal Port growth should be favorable factors during the next three to five years. Benefits from the reorganization of the Finance and Water Utility departments should be noticeable in late 1964 and 1965.

The January 1, 1964 adoption of major fringe benefits for employees will inevitably lead to a more stable and efficient working force. A comprehensive basic and major medical health program has just

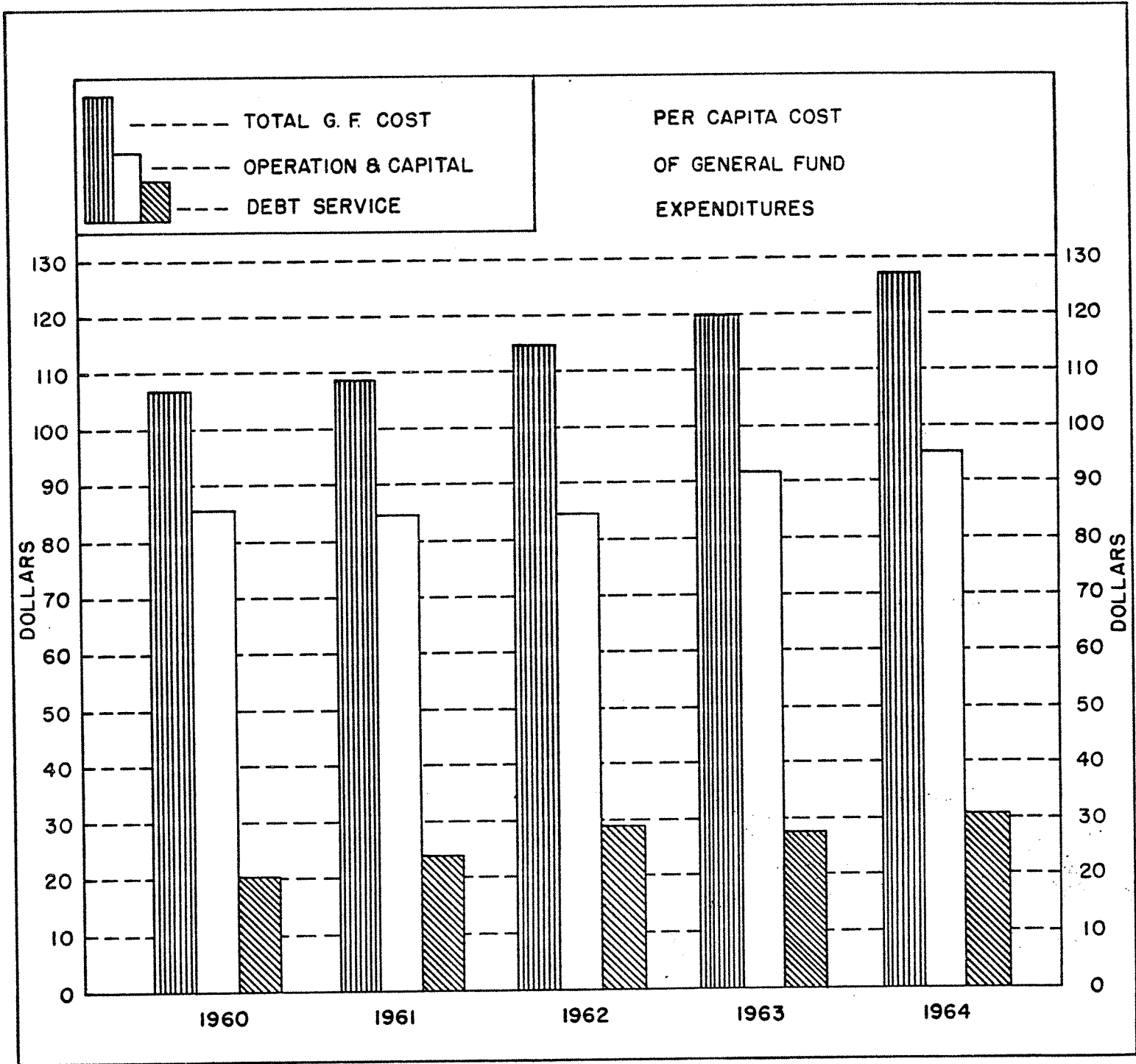
been negotiated which should prove of major value and protection to employees, together with life insurance and 24-hour Accidental Death and Dismemberment coverage at exceedingly favorable rates. A Retirement program is about to be finalized which will be mandatory for firemen and policemen and voluntary for others. This involves a modest change in leave program for participants and also applies to all employees hired after September 1, 1963. The leave program will continue to be inclusive of sick leave, a point which must be considered in studying benefits provided these employees.

SUMMARY AND CONCLUSION

An overall balanced budget is submitted herewith for fiscal 1964. A tax rate of 11 mills is indicated but the rate will not actually be set by Council until April. A brief history of mill levies for the City of Anchorage is as follows:

	<u>City Tax Rate</u>	<u>Tax Revenue</u>	<u>Assessed Valuation</u>	<u>Valuation Basis</u>	<u>School Levy</u>
1960	12	\$ 1,882,472	\$ 156,872,660	60%	11
1961	11	2,133,906	193,991,450	70%	12
1962	10	2,103,475	210,347,500	70%	12
1963	10	2,229,418	222,941,825	70%	12
1964 (est.)	11	2,563,000	233,000,000	70%	13

A graphic tabulation of per capita costs of all General Fund expenditures, shown on page 10 of the budget message, indicates a total 1964 per capita cost of Anchorage City Government, based on an estimated population of 49,800, is \$127.42. Of this, \$31.09 is for debt service and \$96.33 is for operation and capital expenditures. Specific note should be made that of the per capita cost indicated, only 51.5% of the funds to pay this cost is derived from direct taxation of real and personal property.



A budget message generally contains promises of new and improved services for the coming year. Sometimes a "hold the line" budget is necessarily indicated. The 1964 budget is in a more unique category requiring reductions below the "hold-the-line" approach, with stringent controls and economies necessary during 1964 to minimize the effects. The City Council and the Administration recognize that small reductions in the overall level of service will take place but are pledged to carry out the intent of the budget to produce the best possible service under the circumstances.

Mention should be made of unusually long hours devoted by the Council to this arduous budget task, as well as by Advisory Boards and Commissions, employees, and staff. It will also be certain that increasing the revenues and trimming expenses will be a continuing task for all concerned during 1964.

Respectfully submitted,



Robert H. Oldland

City Manager

RHO/RH/mr