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PROGRAM OF SERVICE

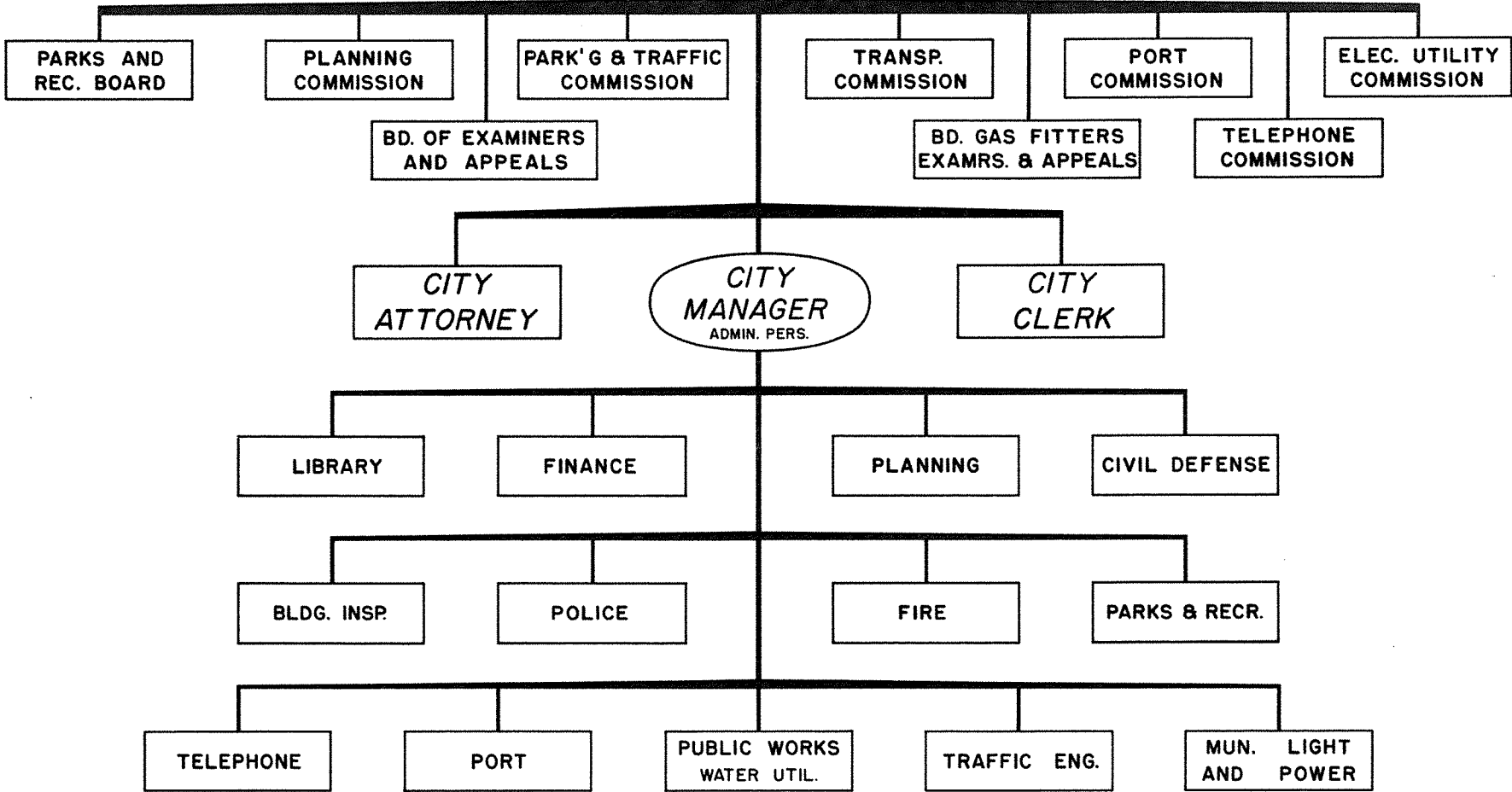


1965 BUDGET

PEOPLE OF ANCHORAGE

CITY COUNCIL

MAYOR, EIGHT COUNCILMEN



THE BOARDS AND COMMISSIONS SHOWN HERE ARE ESTABLISHED BY ORDINANCE.

ANNUAL BUDGET
CITY OF ANCHORAGE
ALASKA
FOR THE YEAR
1965

COMPILED AND SUBMITTED BY
ROBERT H. OLDLAND
CITY MANAGER

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November 10, 1964

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

Gentlemen:

The great earthquake of March 27, 1964 changed the 1964 "hold-the-line" budget program to an unprecedented series of actions and expenditures required to restore services and economic life to the community. General Fund revenues for 1964 presently appear to be some \$454,000 lower than provided by the original approved budget but this disaster-induced deficiency was offset by Alaska Transitional Grant funds and transfer from Surplus and Offstreet Parking Reserve. Millions were spent or encumbered by Office of Emergency Planning and other Federal agencies for restoration of public facilities, largely under management of the U. S. Corps of Engineers. Much has been completed but a number of projects are scheduled for 1965 completion.

Just as the City's boundless spirit echoed in recovery, so must it now lead to programming for 1965. Much remains to be done in the Municipal Corporation area - old programs continued, improved and completed - new programs and governmental concepts developed in accord with the needs, wishes and demands of our citizens - and all of this with full recognition of the realistic limits of our finances. It is within this framework of events and time sequence that the 1965 budget proposal has been formulated.

As required by Section 6.2, Chapter VI of the Municipal Charter of the City of Anchorage, there is herewith submitted the Operating and Capital Improvement Budget proposals for your consideration.

The grand total of the City Manager's budget recommendation is \$17,805,334, an 8.7% increase over the adjusted 1964 budget. Comparisons of budget totals for each separate fund reveal the following:

	<u>Adjusted Budget - 1964</u>		<u>Budget - 1965</u>		<u>Increase (Decrease)</u>
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	
General Fund*	\$ 5,997,114	36.6%	\$ 6,609,772	37.1%	10.2%
Electric Utility	3,334,000	20.4%	3,865,300	21.7%	15.9%
Port of Anchorage Municipal Terminal	756,400	4.6%	715,450	4.0%	(5.4%)
Port of Anchorage Industrial Park	280,958	1.7%	44,300	0.2%	(84.2%)
Water Utility	1,452,000	8.9%	1,629,219	9.2%	12.2%
Telephone Utility	3,470,000	21.2%	3,750,000	21.1%	8.1%
Refuse Utility **	438,745	2.7%	483,818	2.7%	10.3%
Mechanical Maintenance	645,952	3.9%	707,475	4.0%	9.5%
TOTALS	\$ 16,375,169	100.0%	\$ 17,805,334	100.0%	8.7%

* If establishment of a revolving Working Capital fund and increase in contingency fund were not included this figure would be \$6,138,476 - or an increase of 2.4% over 1964. This 2.4% increase can be wholly related to the recent classified pay review program.

** For comparison purposes, the adjusted budget, 1964 for the general fund excludes the Refuse Utility which is shown separately.

GENERAL FUND

The recommended 1965 General Fund budget shows an increase of \$612,658 over the adjusted 1964 budget. The revenue estimates show two major changes:

(1) The City's Transitional Grant Application to cover revenue losses resulting from the earthquake shows \$331,000 for 1964 and \$446,000 for 1965.

(2) Through the years our citizens have been assessed on varying valuation bases and any discussion of mill levies has been clouded by a lack of valid comparability. For example, we can have levies of 7, 10, or 11.7 mills which will produce exactly the same amount of tax revenue. State law imposes the duty of assessing property at its "full and true value in money". Since property must be assessed on a 100% basis and since the tax bill for a given property will be the same in any event, it would be advisable to adopt a policy of using the "full and true value" assessment as the basis of taxation. The Administration accordingly recommends and has based the 1965 budget proposals on 100% basis with corresponding mill levies and converted past levies to this basis.

The following comparisons of mill rate and assessed value over a five year period point out the variations between the 70% basis of the recent past and the 100% basis proposed for 1965.

FIVE YEAR MILL RATE COMPARISON

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Assessments @ 70% of value	11	10	10	11	13.57
Assessments @ 100% of value	7.7	7.0	7.0	7.7	9.5

FIVE YEAR ASSESSED VALUE COMPARISON

	<u>1961</u>	<u>1962</u>	<u>1963</u>	Post-earthquake <u>1964</u>	Estimated <u>1965</u>
Assessments					
@ 70% of value	\$ 193,991,450	\$ 210,347,460	\$ 223,317,700	\$ 219,091,000	\$ 224,000,000
Assessments					
@ 100% of value	\$ 277,130,643	\$ 300,496,371	\$ 319,025,270	\$ 312,987,000	\$ 320,000,000

The comparable recommended increase in General Fund expenditures of \$612,658 represents an increase in the cost of government in 1965 over 1964 of some \$141,000, with the remainder consisting of \$231,000 required for an increased contingency fund, and \$240,000 for the establishment of a revolving Working Capital Fund which will increase efficiency and reduce borrowings in future years.

A further breakdown of the recommended General Fund Budget shows:

	<u>Adjusted 1964 Budget</u>		<u>Recommended 1965 Budget</u>		<u>Increase (Decrease)</u>
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	
Personal Services	\$ 2,540,709	42.4%	\$ 2,788,113	42.2%	9.7%
Contractual	1,120,115	18.6%	1,208,285	18.3%	7.9%
Supplies	238,882	4.0%	229,015	3.5%	(4.1%)
Other Charges	97,381	1.7%	580,077	8.8%	495.7%
Capital	474,776	7.9%	189,731	2.8%	(60.0%)
Debt Service	1,525,251	25.4%	1,614,551	24.4%	5.9%
	<u>\$ 5,997,114</u>	<u>100.0%</u>	<u>\$ 6,609,772</u>	<u>100.0%</u>	<u>10.2% Average</u>

The operational increase of \$141,000 includes the following changes in functions:

Tax Assessment and Collections: Due to the assumption of the tax assessment and collection function by the Greater Anchorage Area Borough in 1965, the costs of these activities have been eliminated from the City budget as follows:

Assessor (Net)	\$ 50,685
Treasurer	10,000 (Estimate)
AISD Credit for Collections	(30,000)

Planning: Anticipating that the Planning function will revert to the Greater Anchorage Area Borough on or about July 1, 1965, one-half of the projected 1965 budget for Planning has been cut, which results in a \$40,272 saving to the General Fund in 1965.

Health: With the understanding that the Greater Anchorage Area Borough will, under recent voter referendum, assume full participation with the Greater Anchorage Health District, the 1965 City budget contains no funds for this health activity - savings, \$79,120.

Offsetting increases include:

- (1) The continuing effect of the October 1, 1964 classified salary review.
- (2) The recommended increase of personnel to support the enlarged juvenile program in the Police Department and the expanded Fire Department operation in the area south and west of Romig Hill.
- (3) Seal coating of streets.
- (4) Purchase of traffic signals.
- (5) Increased debt service.

In summary, the recommended General Fund Expenditure Budget provides for working capital believed essential for the day to day cash position of the City, a contingency fund equaling approximately 4% of the total budget, and various service and capital programs considered mandatory for the proper continuance of the general government function.

UTILITY FUNDS

While each City-owned and operated utility is a separate fiscal entity, some problems and considerations apply to all, namely:

(1) Rates, rate of return, and profits. The contribution to the general fund from each utility has been included in this 1965 budget, based on existing Council policy. It is recommended that, early in 1965, a recognized firm be engaged to review the City's policies regarding utility rates, rates of return, contribution to the general fund, and long-term capital funding. While it is recognized that services are the greatest reason for municipal ownership of utilities, profit payable to the general fund which reduces the need for tax and other revenue, likewise is a significant factor. Neither too much profit nor too little profit is acceptable under these circumstances. Such an independent, expert review, properly chargeable to utility funds, will provide the basis for continuation of present policies or alterations as found appropriate.

(2) Penalties on Delinquent Utility Accounts. The long-standing policy of the City is to levy a 10% penalty on delinquent utility bills. It is believed that the utility penalty charge is the root of much of the customer ill-feeling toward the City, that it is an outdated practice in the utility industry throughout the country, and that the penalty has little value in the control of delinquencies. While the revenue from such penalties is approximately \$100,000 per year, the value to the City is questionable in view of the resentment and ill-feeling it causes. For this reason it is recommended that Council consider elimination of penalties on delinquent utility bills effective July 1, 1965. Revenues in each utility have been projected in 1965 on this basis.

(3) Need for Working Capital. Because each utility is a separate entity, its fiscal integrity must be maintained. Adequate reserves for working capital are necessary in each fund to provide the cash essential to the day-to-day operations of the utility without borrowing. Since such reserves have not been provided in past years and because other reserves have been tapped for necessary operations and capital needs, each utility has contributed in 1964 to the need for short-term borrowing. In an effort to forestall this trend and to maintain an adequate cash position for each fund, such reserves for working capital have been established wherever possible.

(4) Need for special authority on revenue bond issues. Section 11.1(a)(2) of the Municipal Charter provides that revenue bonds which are secured only by the revenue producing public utilities and do not constitute a general obligation debt of the City, shall be authorized by the Council and ratified by a majority of the qualified electors. In the firm belief that any utility must be in a position to provide the degree and quality of service required by its users, it follows simply that the utility must also have the financial flexibility and capability to fund the necessary improvements. Several recent instances have shown the fallacy of our system wherein utility service has not been available when needed due to the lack of funding authority. For these reasons it is strongly recommended that an early referendum be placed before the electors to eliminate the need for ratification of revenue bond issues.

REFUSE DIVISION

While the refuse function is a division of the Public Works Department, it is essentially a utility. As a utility, it is desirable that the revenue produced be adequate to cover all operating costs. For this reason this activity is set forth in the 1965 budget recommendation as a separate fund in order to better identify pertinent revenue and expense together. As recommended, total projected revenue of \$483,818 is exactly offset by expense, resulting in net income of zero. Since the Sanitation Officer included herein would normally be a general fund responsibility, this tends to offset a potential dividend to the general fund resulting from owning and operating this utility.

ELECTRIC UTILITY - MUNICIPAL LIGHT AND POWER DEPARTMENT

The Electric Utility Fund continues to grow and prosper. The projected net income during 1965 of \$1,079,310 permits a contribution to the general fund of \$625,600, new construction of \$682,340 (with use of depreciation funds), and contract payments on the second gas turbine generator of \$186,200. It is recommended that the Electric Fund participate with other utilities in an expert review early in 1965 of rate, rate of return, and contribution policies in order to assure all consumers and citizens that such City's policies are fair and equitable for all concerned. It is also strongly recommended that \$300,000 be identified in the Electric Fund as reserve for working capital. Consideration will also be required of the proposed settlement agreement with General Electric on their claim against the City.

WATER UTILITY

A separate Water Division of the Public Works Department was created by Council in 1963. A full year's experience with this new organization has proved the validity and need for central authority and control of all facets of the Water Utility function under the Water Utility Manager. With forecast net income up nearly \$102,000 from 1964 and debt service on a gradual decline, it appears that the Water Utility is "over the hump". While extreme flexibility should be maintained in the Water Utility budgeting in order that the utility may grow with the need, service rate reductions in future years are entirely possible. The best service at the least cost is the continuing goal for the utility. It is recommended that the Water Utility participate during 1965 in an overall City utility rate and rate of return review by recognized consultants so as to assure that rates charged to consumers are adequate to cover operating expense and depreciation, yet still provide a fair return to the City.

TELEPHONE UTILITY

Progress in building new facilities and installing new equipment marked 1964 despite the Good Friday set-back, and the foundation of new and expanded capability has been well laid. However, full realization of the benefits of the Phase I bonding program, as approved by the voters in 1962, is dependent in part upon financial problems which must be solved.

The total revenue and expense budget estimated by the Utility for 1965 would yield net income of \$565,652 compared to the \$1,047,880 required to meet debt service and normal Contribution to General Fund. To be consistent with Council policy on contribution and to keep faith with Council's commitment to the public during the 1962 bond referendum, adjustments in total expense of \$476,527 are clearly indicated in the utility's budget detail.

The probability that full capability will not be achieved in 1965 should not prevent recognition of a tremendous increase in capability and of a major improvement in service to be realized in the latter half of the year. However, as indicated in the detailed budget analysis, reproduced in the budget itself, meeting the continued and growing needs of the community for more and better phone service will require prompt submission to voters of a Phase II bond program totaling upwards of \$4,000,000. Delay in obtaining approval can only prevent actual and potential telephone users from full enjoyment and employment of Phase I facilities.

ANCHORAGE MUNICIPAL PORT DEPARTMENT

It might well be said that two earth-shaking developments in 1964 caused the Municipal Port to achieve the vital spot in the community envisioned by its supporters. The Good Friday earthquake destroyed dock facilities in Seward and Valdez, damaged those in Whittier, and caused extensive damage to Anchorage Port facilities. However, local efforts enabled the Port to resume effective operation immediately after the earthquake and round-the-clock operations were the rule for months afterwards.

The second major development was the establishment of scheduled common carrier service through contractual arrangements with Sea-Land, a program which had been under negotiation for many months but which started actual service just after the earthquake. This furnishes faster service for the merchants, industries and citizens of this Greater Anchorage area and has already brought about rate reductions. It also speeds the economy of the entire west central section of Alaska, including Fairbanks and beyond. Furthermore, it tended to focus attention of the petroleum industry on the year around service possibilities of the Anchorage Port.

A combination of loss of facilities in other areas and the suddenly dominant position of the Municipal Terminal in the heart of Alaska's greatest market caused a vital need for a petroleum unloading dock which would handle large quantities of petroleum products (POL) without interfering with delivery of dry cargo over the main dock. Public Law 875 funds and the Corps of Engineers quickly provided a temporary wood piling POL unloading dock. Between July 17 and October 31 over 85,000,000 gallons of petroleum products have gone across this facility and the large oil companies have built a tank farm area that displays realistic faith in the future of the Port and the large region it serves.

The 600 foot dock originally provided was sufficient when only occasional vessels arrived. However, only one vessel could normally be handled at a time and serious bottlenecks developed in 1963. The situation became intolerable after the earthquake and the temporary POL dock helped. However, it was constructed with full realization that winter ice and tides would probably damage or destroy it, but after the public welfare had been so benefited during 1964 that the public funds could be recognized as well spent. The great increase in cargo and petroleum exploration vessels made the 600 foot dock inadequate even after petroleum products were diverted. Accordingly, the Port Commission has strongly recommended a general obligation bond issue to provide \$2,250,000 for a permanent POL facility and an extension to the main dock which would permit faster service and better handling of cargo and exploration vessels. It is obvious that these capital additions are essential to the development of the Port and that the Port is providing an important new economic base to Anchorage.

PORT OF ANCHORAGE - INDUSTRIAL PARK

The Port of Anchorage Industrial Park Fund was created by the City Council on April 23, 1964. The function of this separate fund, administered by the Port Director and Port Commission, is to acquire, develop, and lease tidelands and other property essential to the waterfront development. This separate entity was necessary since the Port and Terminal Facilities Fund, which was financed mainly by revenue bonds and is subject to the resulting trust agreement, is limited solely to the municipal terminal operation. During 1964 the General Fund contributed \$247,011 to the Industrial Park for use as initial capital funds. The recommended 1965 budget shows lease revenue of \$44,300, operating expense of \$30,500, capital investment of \$9,000, leaving \$4,800 available for contingencies. Unless major capital improvements are necessary, it is anticipated that lease revenues will in future years cover all operating costs and pay a handsome dividend to the General Fund. The industrial development presently occurring and anticipated in the future in the water front area will show an extremely beneficial impact on the overall Anchorage economy.

MECHANICAL MAINTENANCE DIVISION

The Mechanical Maintenance Division of the Public Works Department is based on a revolving fund concept. As such it acquires, maintains, repairs, and replaces vehicular equipment for most all City functions. All costs of maintenance, operation, and depreciation are recouped through rental charges to the using department. In order to maintain the integrity of this fund, it is essential that additional equipment, as opposed to replacement equipment, be first purchased by the using department and turned over to the fund for maintenance and operation. When such equipment wears out it will, however, be replaced by the garage. During 1965, \$190,000 will be available for purchase of replacement equipment. Additional equipment totalling \$13,100 will be added by contributions from other funds. Since this activity should neither make a profit nor suffer a loss, adjustments of rental rates are necessary from time to time to maintain the proper balance between the cost of operation, essential for proper maintenance and service, and the rental revenue.

1965-70 CAPITAL IMPROVEMENTS PROGRAM

A review of the six-year capital improvements program indicates a sizeable need for capital funds for general purpose and Port facilities in 1965 equalling \$7,462,900 and for the total six-year period, \$24,191,200. The major types of improvement and costs are as follows:

<u>Description</u>	<u>1965</u>	<u>Total 1965-1970</u>	<u>Presently Authorized</u>	<u>Referendum</u>
Fire Department	\$ 210,000	\$ 210,000	\$	\$ 210,000
Street Improvements and Districts and Subdivisions	1,518,000	11,518,000		10,000,000
Arterials and Storm Drainage	1,025,000	5,590,000	4,000,000	
Sanitary Sewerage	460,000	1,250,000	1,000,000	
Parks and Recreation	292,700	592,200		600,000
Port and Municipal Terminal	2,250,000	2,250,000		2,250,000
Urban Renewal	200,000	200,000		200,000
Library	7,200	81,000		81,000
Off-Street Parking	<u>1,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u> </u>
Total	\$7,462,900	\$24,191,200	\$7,500,000	\$13,341,000

REFERENDUM PROPOSALS

Based upon capital improvements needs as shown, and recognizing that authority already exists for financing a number of the items, it is recommended that an early date be set for a special election to cover the following specific bond proposals:

1) 100% Street Improvement Bonds - \$10,000,000.

The Planning Commission, Citizens Budget Advisory Committee, and the administration have unanimously recommended the adoption of a policy to assess 100% of the costs of street improvements in improvement districts and subdivisions to the benefited property owners. Assuming this recommendation is adopted by Council, the General Fund will absorb no significant portion of the cost of these improvements in the future. Consequently, the cost of such street improvements in any one year is limited solely to the petitions from the property owners for such improvements. The property owners will pay the total costs through annual assessments for a period of years up to 10. However, contractors, suppliers and engineers require prompt payment in full so funds must be available. Street improvement bonds will supply cash as needed with bonds and interest to be repaid by the receipts from assessment installments. The bonds thus supply a revolving fund for the payment of street improvement bills, yet are self-amortizing as installments are received from benefited property owners. The sum requested will assure property owners the benefit of paving, etc., as needed while the City can efficiently and economically engineer and implement the program in the years ahead. Bonds will only be issued as required so costs and obligations will be limited to the level of work required by property owners, and the General Fund can incur no debt service load through this program.

2) General Obligation Port Improvement Bonds --\$2,250,000

The Port Commission has recently acted to recommend the sale of \$2,250,000 of General Obligation Bonds to provide funds necessary to construct a permanent POL facility and a dock extension. In the belief that an active growing port operation enhances the economic position of Anchorage and all its citizens, it is entirely proper to fund these capital additions through the issue of General Obligation Bonds. It is planned that every avenue be explored to permit a portion of revenues from the expanded Port operation to be applied to the debt service incident to this proposed General Obligation issue.

3) General Obligation Bonds for Parks and Recreation, Fire Department, Urban Renewal, and Library needs shown in the six year Capital Improvements Program--\$1,100,000

This general purpose bond authority would cover the following needs, as shown in the Capital Improvements Program:

Fire Department	\$ 210,000
Parks and Recreation	600,000
Urban Renewal	200,000
Library	<u>81,000</u>
	\$1,091,000

While the program includes accomplishment of projects totaling \$717,000 in 1965, it is believed desirable that bond authority be available for the entire six-year program in order to properly plan the projects in future years.

Recap of Referendum Proposals

Streets	\$10,000,000
Port	2,250,000
All other	<u>1,100,000</u>
	\$13,350,000

The Citizens Budget Advisory Committee and Planning Commission, as evidenced by their recommendations following this message, have indicated the absolute need for the City to revert as soon as possible to a policy of assessing 100% of the cost in paving in improvement districts and subdivisions to the benefit of property owners. In light of the desire on the part of the citizens for street improvements, as well as the sizeable capital program as outlined in this budget, the administration fully concurs with this recommendation and further believes that only through adoption of this proposed policy can the City recognize all its capital improvement needs and at the same time keep debt service in future years at a reasonable level.

Assuming that this 100% improvement district policy is adopted by Council and assuming that all projects in the recommended 1965-70 Capital Improvements Program are accomplished, the City's General Fund debt service position can be projected as follows:

	<u>Total Debt Service</u>	<u>Percent of Projected General Fund Revenue</u>
1965	\$1,614,551	24.4
1966	1,645,167	24.0
1967	1,439,653	20.1
1968	1,407,346	18.9
1969	1,588,384	20.5
1970	1,587,265	19.7

CITIZENS BUDGET ADVISORY COMMITTEE

The Administration believes that the Citizens Budget Advisory Committee has made an extremely worthwhile contribution, as evidenced by the reports reproduced beginning on Page 1. This group is in position to reflect the "general public" viewpoint and to furnish a desirable and even necessary form of leadership in focusing public attention on problems and policies requiring better approaches and techniques. Furthermore, as Council initiates budget study sessions, it would be extremely desirable to have the Committee join with Council in its deliberations.

As particular problems or study areas are developed, Council may find it helpful to request impartial review and recommendations from the Committee.

NEW GOVERNMENTAL RELATIONSHIPS

We recognize that the Borough is a new concept of local government necessary to meet the demands of "urban-areas-to-be" as well as the rural communities long by-passed in the field of local government. In recognition of the importance to the people of effective area-wide government, at whatever level of service is demanded, the City (or cities) and Boroughs must promulgate the co-ordination and enthusiasm that will not only enable the Borough to take its place in the field of government but will make it an effective forum for people-to-people representation.

If local government in Alaska is to survive, cities and boroughs must mature and develop on a basis, not of co-existence, but of cooperative endeavor to the benefit of all citizens, all taxpayers, and all people who inherit that which we now build.

In the coming year, the City Manager proposes and will work toward agreements with the Borough that will (a) erase or reduce to a minimum past conflicts, and (b) create an atmosphere of sincerity based on working principles of unity and cooperation.

SUMMARY AND CONCLUSION

An overall balanced budget is indicated for 1965. It would require a 9 1/2 mill levy on the 100% "full and true value in cash" basis but the rate will not be determined by Council until April.

It faces facts - it contains new concepts - and it identifies paths that can lead to a better and more prosperous Anchorage. It is an outgrowth of a basic philosophy which is appropriate for the post-quake era:

- 1) Renewed faith in the people, attitude and economy of Anchorage as evidenced by the optimism and vigor shown in the reconstruction of the City in the aftermath of the great Alaskan earthquake.
- 2) Realization that Anchorage stands at the crossroads of development for the entire State of Alaska, and that the City MUST set the pace for economic and cultural growth through provision of municipal services, capital improvements, and utility services required by the citizens.

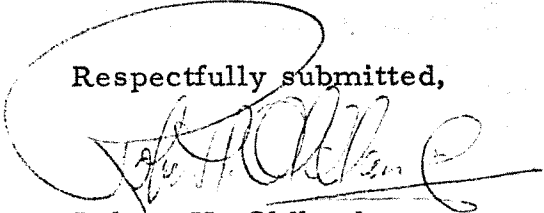
The attached Growth Statistics exhibit will be an eye-opener for many who are so familiar with Anchorage that they failed to realize just how much has happened in the past eight years. We must not be misled into considering a 1957 or 1961 budget a valid point from which to project the requirements of 1965.

New concepts have been incorporated in the 1965 proposals but there are other possibilities requiring detailed study and evaluation. For example, every community recognizes a need for new sources of revenue, and Anchorage could properly study the advisability of a sewer service charge as a policy successfully adopted by many cities. We also must again consider the advisability of assessing a higher portion of the cost of new facilities to the benefitted property owner to decrease the share now borne by those who have already paid for facilities.

The 1965 budget can authorize progress and improvements but it necessarily is limited by the resources which can reasonably be made available. We must recognize that this is another way of saying it will not go far enough to please some while others may tend to feel it goes too far. The City Council and the Administration can only continue a policy of providing the best possible service with the dollars appropriated.

Mention should be made of unusually long hours devoted to this arduous task by the Finance Director, Controller and staff, the City Manager's staff, and our able department and division heads.

Respectfully submitted,



Robert H. Oldland
City Manager

RHO/RH/mr