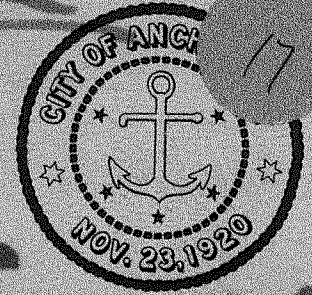


Anchorage

Alaska

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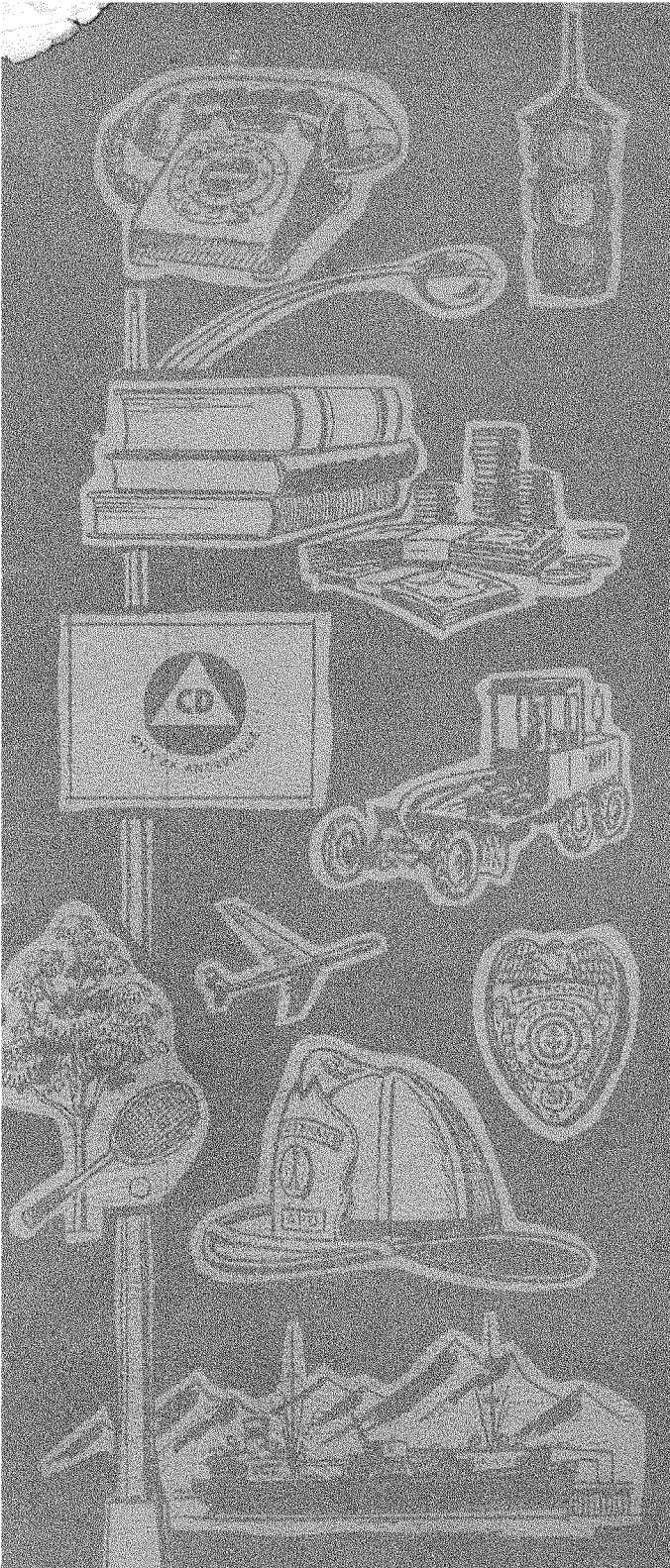


M. W. Smith

PROGRAM OF SERVICE

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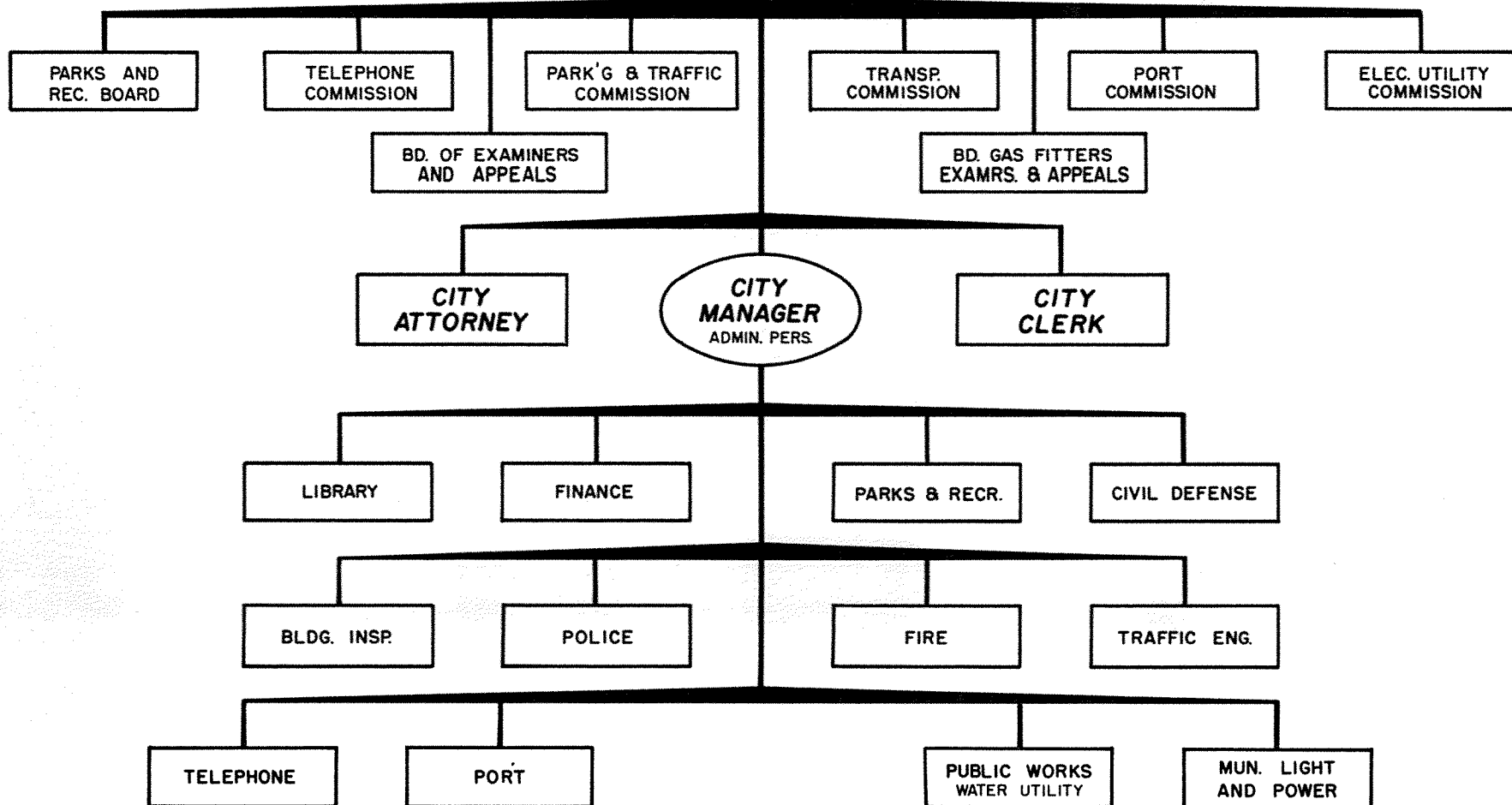
1966 BUDGET



PEOPLE OF ANCHORAGE

CITY COUNCIL

MAYOR, EIGHT COUNCILMEN



ANNUAL BUDGET
CITY OF ANCHORAGE
ALASKA
FOR THE YEAR
1966

COMPILED AND SUBMITTED BY

Bernard L. Marsh
~~ROBERT H. OLDLAND~~

CITY MANAGER

CITY OF ANCHORAGE



MAYOR

ELMER RASMUSON

CITY COUNCIL

Joseph A. Yesenski
George M. Sullivan
C. A. Hostetler
Ron L. Rettig

George Byer *Joe P. Josephson*
Clifford J. Groh
David Green *Bessen Wm A*
Richard Albers

APPOINTED OFFICIALS

Robert H. Oldland *Bernard C. Marsh* City Manager
B. W. Boeke City Clerk
Karl Walter, Jr. City Attorney

STAFF

Building Official. Charles Bynum
City Librarian Mrs. Irene Samson
Civil Defense Director Lt. Col. Douglas Clure
(USA Ret.)
Finance Director James P. Bell
Fire Chief Victor Bernasconi
Manager, Municipal Light & Power . Carroll A. Oliver

Parks & Recreation Director. . Bill Creighton
Police Chief John Flanigan
Port Director. Capt. A. E. Harned
(USCG Ret.)
Public Works Director. Jack Easley
Manager, Telephone Utility . . Jack Harris
Traffic Engineer George Easley

Assistant City Manager *Terry L. Novak*
~~Lyman C. Woodman~~
Management Analyst Robert H. Herrnsteen
Personnel Officer. Roy Wesley
Planning Coordinator Richard Watts
Internal Auditor *Norman J. Levesque*

*acting
miller*

CITY OF ANCHORAGE

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November 4, 1965

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

Gentlemen:

This 1966 budget proposal attempts to combine the "conservative-hold-the-line" approach of prior years with a continuation of the "earthquake recovery" spirit of 1965. As is always the case in a progressive, dynamic community, much must be done. The City's proposed programs for 1966 have been developed in accord with the indicated needs and wishes of our citizens and within the framework of fiscal responsibility.

It should be noted for Council's information, that the budget programs and policies recommended herein have been formulated under a budget calendar beginning August 4, 1965.

August 5, 1965	Budget procedure and forms to all departments.
August 19, 1965	Review budget procedure with department heads at regular City Manager's staff meeting.
September 1 thru October 4, 1965	Operating budget requests and revenue estimates to Controller.
October 5 thru October 27, 1965	City Manager reviews.
October 28 thru November 3, 1965	Final typing, printing and assembly.
November 4, 1965	Operating Budget to Council and for public inspection.

Particular attention should be given to the departmental reviews conducted and the resultant programs recommended. With reference to General Fund, department requests totaled \$7,310,920. While recognized by management as being desirable in large part, extreme budget limitations and resultant administrative reviews have decreased General Fund programs to a total of \$6,620,970, or a reduction of \$689,950 from the original requests. Similar reviews of all Utility Department Budgets have been conducted with recommended adjustments of both revenue and expense as necessary to provide a financially feasible program for 1966.

As required by Section 6.2, Chapter VI of the Municipal Charter of the City of Anchorage, the Operating and Capital Improvement Budget proposals for 1966 are herewith submitted for your consideration.

The grand total of the City Manager's operating budget recommendation for 1966 is \$19,041,986, an increase over the adjusted 1965 budget. Comparisons of budget totals for each separate fund are as follows:

	<u>Adjusted Budget - 1965</u>		<u>Recommended Budget - 1966</u>		<u>Increase (Decrease)</u>
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	
General Fund*	\$ 6,461,886	36.3%	\$ 6,620,970	34.7%	2.4%
Electric Utility	3,800,800	21.3%	4,097,700	21.5%	7.8%
Port of Anchorage Municipal Terminal.	683,000	3.8%	749,500	4.0%	9.7%
Port of Anchorage Industrial Park	99,433	.6%	70,680	.4%	(28.9%)
Water Utility	1,704,444	9.6%	1,700,200	8.9%	(.25)
Telephone Utility	3,886,000	21.7%	4,550,000	23.9%	17.1%
Refuse Utility	453,818	2.5%	466,860	2.5%	2.8%
Mechanical Maintenance	716,595	4.2%	786,076	4.1%	9.7%
TOTALS	\$17,805,976	100.0%	\$19,041,986	100.0%	6.9%

GENERAL FUND

The recommended General Fund operating budget shows an increase in expenditures over 1965 of \$159,084. Funding of same indicates recommendations for a major change in the past policy of the City regarding "Contributions to the General Fund" from our municipally owned and operated utilities.

It is interesting to note the minor increase in total recommended expenditures for 1966 as compared with 1965. It is even more interesting to note that of 16 departments, 6 will decrease expenditures, 4 will increase under \$15,000, 5 under \$50,000, and 1 over \$100,000.

Major programs for 1966 which effect expenditures in specific areas are varied. Particular reference is made to a new fire station proposed for the Turnagain-Spenard area. An apparent increase of some \$60,000 will be required but a net reduction under the adjusted 1965 budget for the Fire Department will be experienced. Both dollar savings and service improvements will result if an agreement is consummated between the Greater Anchorage Area Borough and the City of Anchorage, wherein the Borough will pay \$75,000 for fire protection in the Borough area. It is evident every effort should be made to develop this cooperative service program. Reference should also be made to increases in the Public Works Department budget because of the anticipated paving program due to bond issues. Likewise, attention should be given to increased Library Department costs because of branch programming and to the Parks and Recreation Department as a result of their expanded program. The Debt Service picture is the result of the sale in 1965 of over \$7,000,000 in General Obligation Bonds and the interest to be paid thereon.

Another item of interest to be considered is the total General Fund personnel picture. A tremendous job was done in 1965 with an adjusted budget of 393-1/2 people. An even greater job will be done in 1966 with a recommended increase of only 24-1/2 people for a total of 418. An illustration of these increases is shown below:

<u>Department</u>	<u>Increase (Decrease)</u>	<u>Purpose</u>
City Manager	0	
Law	1	Assistant City Attorney
City Clerk and Elections	1	Clerk
Finance	(1)	Result of transfers to General Service

<u>Department</u>	<u>Increase (Decrease)</u>	<u>Purpose</u>
Police	1	Added Investigator
Fire	7	Man new fire station
Civil Defense	0	
Building	(1)	Transfer to General Services
Traffic Engineering	3	Traffic Signal Maintenance (transfer from ML&P)
Public Works	5-1/2	Administrative Engineering and Division of City Structures.
Library	3	Branch Library Program
Parks & Recreation	2	Park Maintenance
General Services	3	Transfer from Finance and Building
	24-1/2 net increase	

For General Fund departments there has been \$80,000 included to cover the recommended reclassifications and salary changes still pending. Because of timing, however, this is included in lump sum in General Services with the thought that upon completion of Council reviews and adoption of findings regarding the reclassification and salary study, these costs will be detailed in each departmental account in the final 1966 budget document.

FIVE YEAR MILL RATE AND ASSESSED VALUE COMPARISON

Assessments @ 100% of value

	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>Estimated 1966</u>
Mill Rate	7.0	7.0	7.7	8.3	10.4
Assessed Value	\$300,496,371	\$319,025,270	\$312,987,000	\$340,000,000	\$385,000,000

The cost of General Fund Government in the City of Anchorage during 1965 was \$6,461,886. It is recommended that \$6,620,970 be budgeted for 1966. This difference of \$159,084 represents an increase of 2.4%. This increase is believed to be minor in view of the terrific pressures and demands resulting from anticipated active growth experience.

It should be noted that without effecting the proposed change in the utilities' contribution to General Fund policy, and assuming a continuation of the current practice, the estimated mill rate requirement in 1966 would be 8.6. However, and with particular reference to the Telephone Utility, sound fiscal programming does not appear to either justify current practice nor is same possible without major operating changes. Continuation of current practice would also preclude the utility rate changes as recommended in the following utility budgets.

Each Council through the years has recognized that "good faith arguments" can be made on the proper level of rates charged in and out of the City, the method for funding new construction, the "in-lieu" taxes, and the owner-dividends paid into the General Fund. Each Council has served in the triple capacity of Utility Board of Directors, Legislative Body of the Municipal Government, and as the regulatory agency which establishes utility rates after formal public hearings. These three "hats" are appropriate and necessary under the present Charter of the City of Anchorage. However, the City faces an unresolved court challenge on water rates and an almost certain resolution in 1966 of legislative attempts to control all or part of the municipal utilities through a revised Public Service Commission law and new Municipal Code.

Recognizing that an independent professional study was a mandatory first step in evaluating present practices and policies, Council authorized the American Appraisal Company report which has recently been delivered to Council. The first indication of the new Council's position on the recommendations of this report will be incorporated in testimony before the Legislative Council hearing in Anchorage. The Administration's recommendations are in part built into the 1966 Budget proposals, but changes in Council policies may well involve several formal actions.

Many of the recommendations contained in the American Appraisal Company report are indicative of the need for change and improvement in various areas of our municipal utility operations. The Administration will, during the coming months, present a series of report-recommendations for implementation of these suggested changes and improvements. It is believed absolutely essential that early efforts be made to initiate the corrective and modernizing practices detailed in the referenced study. As some of these program changes do occur, it is recognized that budget adjustments will be required and made during the coming year. Several major policy recommendations are included in this budget document with particular reference to the questions regarding the contributions to General Fund and the payments in lieu of taxes. In addition, however, the following listings are suggestions for improvement and corrective action with a tentative timetable proposed for implementation:

- 1) Property record project - late 1965, early 1966.
- 2) Water rate litigation resolution - Late 1965, early 1966.
- 3) Revised and improved financial reporting - January/February 1966.
- 4) Revenue bond authority - Charter change - Spring election 1966.
- 5) Central service organization with improved billing procedures - first quarter 1966.
- 6) Equitable disposition of contributions in aid of construction - immediate corrective action.
- 7) Retention or disposal of telephone utility (second phase study) - first quarter 1966.
- 8) Water main assessment policy outside City. NOTE: This would include review of current assessment program inside City. Applicable sections included in proposed Municipal Code - 1966.
- 9) Implementation of water-fire protection charges - second quarter 1966.
- 10) Resolution of telephone base rate area question - follow budget changes as recommended with overall rate review - mid 1966.
- 11) Long range financial forecast program implementation - during 1966 following Item 3 above.
- 12) Review and change re telephone depreciation schedules - review during 1966, implement changes in 1967 budget.
- 13) Establishment of exclusive service areas - correlate with PSC and Municipal Code legislation and resultant Borough/City cooperative agreements - 1966.
- 14) Potential state legislation regarding payment in lieu of taxes for REA's - Council review with legislators.

The City's dependence upon "owner-dividends" from the utilities to minimize the direct tax load on real property has aided Anchorage in maintaining a relatively stable and low tax load per family. The City Manager believes that the present policy regarding the owner-dividends should be re-evaluated based on (a) actual needs in the utilities, (b) a fair and equitable rate program in each, and (c) common industry practice as can be established and applied for municipal utilities. Resultant changes to establish more equitable programming will require a substitute source of funds to support the general fund activities of the City. The impact of a \$33,000,000 school bond program and increasing Borough costs at the same time make it apparent that the real property owner cannot long continue to be the only major, General Fund income source.

The original 1965 budget anticipated the payment of \$1,142,660 as owner dividends from the Electric, Telephone and Water Utilities to the General Fund. The adjusted 1965 budget (which includes a \$250,000 recommended decrease to the Telephone contribution) provides \$833,287 as owner dividends. The American Appraisal Company report suggests the complete elimination of this payment from the utilities to the General Fund, but agrees it could be accomplished over a period of years. The Administration recognizes that with proper scheduling, the proposal of the American Appraisal Company could be accomplished. However, while the Administration agrees that the past approach is questionable, at least in part, it is believed that an interim policy change should be effected immediately so that the profits remaining in the utilities will be great enough to permit rate change considerations. Rather than complete elimination of owner dividends, the City Manager recommends an interim policy determination by Council providing that up to 25% of the net earnings in each utility may be paid to the General Fund. In no case, however, should the dividend exceed the balance of annual net earnings after payment of debt principal and reserve requirements. Implementation of these policy recommendations would provide that the 1966 owner dividends would total \$405,026. This recommendation complies with Section 13.2(a) of the Municipal Charter which requires utility rates to be sufficient to return to the City a reasonable profit after taxes. It is immediately apparent that the proposed change, as recommended by the Administration, will affect the City's tax rate structure and require an approximate additional two mills over and above other funding requirements.

The Administration believes that the most satisfactory, equitable, and widely used relief for the property owner is the sales tax. State law permits it to be applied to retail sales, rents, and services, subject to a 3% ceiling and majority voter approval in a referendum, to be used for general or special purposes. Council probably has the right to establish such a tax, but anything less than a Borough-wide tax could be onerous and disruptive of businesses within the municipal limits. The sales tax should be developed during 1966 on an area-wide and mutually agreeable program to the Borough and the City.

The Administration intends to pursue the programming of a sewer service charge in 1966. Preliminary studies completed to date indicate this to be a feasible program with minimal charges that can support, in fact, the City's maintenance and operating costs as they are related to this portion of our Public Works Program.

GENERAL FUND - UTILITY FUND RELATIONSHIPS

In order to fund the proposed programs of 1966, the Administration presents the following "General Fund - Utility" relationships as the premise for fiscal integrity pending other money source developments:

		<u>1965 Adjusted Budget</u>	<u>1966 Recommended Budget</u>	<u>Difference</u>	<u>Recommended Rate Reduction</u>
Electric	- Pilot *	\$ 66,380	\$ 76,016	\$ 9,636	\$571,725 (15%)
	Dividend	567,675	135,281	(432,394)	
Telephone	- Pilot	215,000	176,813	(38,187)	no change**
	Dividend	152,880	189,337	36,457	
Water	- Pilot	169,748	80,616	(89,132)	160,000 (10%)
	Dividend	<u>112,287</u>	<u>80,408</u>	<u>(31,879)</u>	
Total		\$1,283,970	\$738,471	\$545,499	\$731,725

* Payment in lieu of taxes

** Although an overall rate change is not proposed, a series of changes are recommended within the rate structure, including "service charges," unlisted numbers, etc.

As discussed previously, the recommended policy changes include the following:

Dividend - That up to 25% of the net earnings in each utility may be paid to the General Fund. Such dividend however should never exceed the balance of annual net earnings after payment of debt principal and reserve requirements.

Payment in lieu of taxes - That each utility pay to the General Fund a payment in lieu of taxes equal to seven percent of the operating revenues produced within the City provided, however, that the payment in lieu of taxes for the Electric Utility be continued at two percent (2%) of operating revenues until such time that state legislation is enacted which would permit a seven percent (7%) tax on Chugach Electric Association.

ELECTRIC UTILITY - MUNICIPAL LIGHT AND POWER DEPARTMENT

The ever increasing demand for power permits this department to grow and prosper. It could be said, "As Anchorage grows and prospers, so grows and prospers the Municipal Light and Power Department."

As previously noted, a continuation of the current dividend policies would have required this utility to support a contribution of \$586,326 to the General Fund during 1966. Based on the Administration's review and policy recommendation regarding these owner-dividends, approximately \$570,000 will be returned to the consumer in the form of a 15% rate reduction during 1966. It should be further noted that the Administration's recommendation for establishing the contribution to General Fund or "owner-dividends" at 25% of net income, will provide that this utility will still support an amount of \$135,281 to the General Fund as a result of normal growth, business increases and improved management.

The local economy will enjoy a healthy boost as the result of the proposed 15% reduction in rates. The consumer will have added spending money with which to work. Industrial growth could be greatly influenced since the price of power has always been a prime concern in industry expansion. Low cost power is inevitably an open invitation to outside industrial interests.

Though in no way intended, this reduction of rates in effect poses a challenge to private industry and could be instrumental in making low cost power available throughout the entire area which would enhance even greater growth and prosperity.

Perhaps the most significant aspect of this change is the "proof in the pudding" evidence that the City of Anchorage can do for its people and itself all that could possibly be done by a Public Service Commission.

At a special meeting of the Electric Utility Commission late in October, 1965, the Commission unanimously voted to approve the recommended 1966 budget as submitted and further voted unanimously to strongly support a reduction in the contribution to the General Fund to accomplish a general rate reduction. Such action is most gratifying to the Administration.

TELEPHONE UTILITY

1965 was a milestone year in the expansion and improvement of the Telephone Utility. With the successful cut-over to new equipment in June, the system's capability to perform its prime function - that of service - more than doubled. With the confidence of votes, the voter and the user expressed via authorization for 9.5 million dollars of new capital funds, the expansion to meet the needs of the economy seems assured for at least two years.

The full impact, revenue-wise, of Phase I (1962-1965) is reflected in revenue projections for 1966 reaching \$4,550,000. It should be noted that \$300,000 of the \$800,000 increase over 1964 comes from adjustments in service charges, adjustments that were required to bring these charges up to actual costs. 1966 also brings a new and more equitable approach to the method of computation used for payment in lieu of taxes and contributions to the General Fund. These new methods will be of benefit to the financial strength of the Utility.

Continued expansion - continued improvement - are the keynotes for 1966 Telephone. With monies available for two years, under a sound fundamental plan, with an unsatisfied market, the Utility should have a successful year.

WATER UTILITY DIVISION

It was predicted a year ago that "rate reductions in future years are entirely possible" in the Water Utility. A 10% rate reduction is being recommended effective January 1, 1966 which will permit a savings to Water Utility customers of approximately \$160,000 per year. As shown in the chart on page 8, \$121,011 represents the change in the total amount of contributions to the General Fund and the payment in lieu of taxes. The difference of \$48,989 represents a rate reduction made possible by improved earnings in the Utility as predicted a year ago. Efforts during the coming year should be focused on the settlements of outstanding litigation regarding water rates outside the City of Anchorage, continued improvement of water transmission facilities, plans for future water source development, and continued extension of municipal water mains throughout the water service area with emphasized efforts to connect as many homes and businesses as possible to the municipal water system.

MUNICIPAL PORT DEPARTMENT

Spring 1965 marked the beginning of a very busy shipping season at the Port of Anchorage. The temporary petroleum dock was destroyed by ice and the permanent facility was not scheduled for completion until late 1965. As a result, both tankers and dry cargo ships used the same berth and only close coordination by the Port and excellent cooperation from all shippers prevented any long delays in berthing. Spring 1966 will again see a great influx of ships at the Port but fortunately the new Petroleum Dock will relieve much of the berth shortage experienced in 1965.

Completion of Terminal No. 2 in 1967 will provide berthing not presently available to oil exploration supply boats, the State Ferry, the anticipated increase in foreign trade and other known and unknown shipping activities. The Existing Port cranes will be dieselized to permit their use on both Terminal No. 1 and No. 2.

Capital improvements at the Port in 1966 will include the erection of a 27-1/2 ton container crane to handle containerized cargoes with greater speed. Although the City will finance the purchase and erection with GO Bonds, Sea-Land Services, Inc., will guarantee debt service and a profit to the Port.

At this writing, the City and Sea-Land have not come to terms as to the specific amount of profit the Port will receive from the new container crane. Port revenues in 1965 for Sea-Land's use of existing cranes is expected to exceed \$45,000. There is little likelihood of receiving this much from Sea-Land for the new crane, thereby probably reducing the 1966 crane revenues as submitted and those in the future.

During 1966, the Port anticipates final settlement of the insurance claim for damages resulting from the March 27, 1964, earthquake. Although major damages have been repaired, many items remain unrepaired as economically unfeasible. Among these items are the many hairline cracks throughout the pier which will expand and require periodic repair, and the 3.7 foot settlement of the dock. The total effect of this settlement is difficult to estimate, however, it is known that the facility might become inundated for a short period with unfavorable tide and wind conditions.

Another item which may affect future Port expenses is repairs to the fender system. Operational problems have been experienced with the fenders which have received excessive damages from ships berthing and may be damaged by ice during the winter. The Port has requested information on suitable fenders from ports all over the world, but has not received any assistance to date. Tide range, current and ice conditions of Anchorage are unique at this port.

Port revenues for 1966 and thereafter are expected to increase at a small but fairly constant rate and budgeted 1966 revenues indicate a nine percent increase over 1965. Expenses for 1966 are based on those of the first half of 1965 and should remain at approximately the same level except for increased wages from a larger staff and normal pay raises.

Phase I of water improvements in the Industrial Park is scheduled for completion during 1966 and will provide existing tenants with needed water and increased fire protection. The program will be financed with a combination of General Obligation Bonds and special assessments. Another new utility service available in the Industrial Park is natural gas which was installed in October 1965.

The Administration and Port Commission, with Council and Trustee approval, arranged for the substitution of the local firm of Lounsbury-Sleavin-Kelly and Associates for the New York firm of Tippetts-Abbett-McCarthy-Stratton as Port Consulting Engineers on January 1, 1966. This change is expected to give better service, increased overall efficiency and possibly some economic savings due to closer supervision and more efficient communications.

Due to the strong support of the \$6.825 million General Obligation Bonds by the Anchorage citizens at the March and October 1965 elections, the Port of Anchorage will continue to play an important role in the economy of the City. The new facilities will enhance new shipping and business ventures thus affording more work and providing a larger tax base within the community.

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 1966, \$218,280 will be available for purchase of replacement equipment. Additional equipment totaling \$173,870 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.

REFUSE DIVISION

The Refuse Division is essentially a utility even though a part of Public Works Department. As a utility, it is desirable that the revenue produced be adequate to cover all operating costs. During 1966 the revenues of the Division will be adjusted to meet these costs. The Sanitation Section of the Refuse Division will still function as in the past, but will be charged to General Fund Expenditures since it is basically a community function. As recommended, anticipated revenues will require Council's adoption of a rate increase to support the operation and create a small reserve fund for purchase of new equipment resulting in complete relief to General Fund costs. The rate proposals are detailed in the work program of the operating budget.

1966 - 71 CAPITAL IMPROVEMENT PROGRAM

Section K of the budget presentation includes the recommended Capital Improvement Program for the period 1966 to 1971 for all City operations except utilities. As the result of the recent and past bond elections, bond authorizations exist to fund nearly all recommended Capital Improvements. Specific mention should be made, however, of the recommended Capital Projects shown for the Division of City Structures and Parks and Recreation Department. Should Council determine that such improvements be constructed, recognition should be given to the need for additional bond fund authorization.

While recent bond elections have given the City specific authority to issue utility revenue bonds adequate to cover short range utility capital requirements, it is strongly recommended that an early election be held for the purpose of amending the Charter to provide for the issuance of revenue bonds without referendum. Experience in recent past dictates the requirement that Council have authority to issue revenue bonds to support necessary utility expansion as required by the utility consumers.

NEW GOVERNMENTAL CONCEPTS AND RELATIONSHIPS

LOCAL GOVERNMENT DEVELOPMENT

As was evident during 1965, it will be increasingly more important in 1966 and the coming years to more effectively develop the concept of cooperation between the City and Borough. Development of local utility control measures that will meet the test of legislative acceptability, and the development of a municipal code measure that can be ratified by both cities and boroughs will probably be two of the most significant legislative actions requiring cooperative programming and support during 1966. Other program developments requiring the efforts of both the borough and city will include (1) establishment of an area-wide sewage distribution and treatment program, (2) evaluation, consideration and resultant programming of a suggested convention -civic center complex, and (3) cooperative agreements to provide for the development of area-wide water pollution control programs, including source development.

The City Manager believes that during 1966, based on the complexity of present municipal operations, with particular reference to our utility functions, that substantial studies should be initiated concerning the feasibility and desirability of establishing semi-autonomous entities for purposes of utility management programming. As Council is aware, any change in our present organization and procedural controls, changing from the advisory board or commission status to some other method of board operation, would require a charter change. It is recognized that many complex questions regarding management policies and fiscal control policies must be evaluated in detail before changes of this magnitude can be determined. It is suggested, however, that Council direct and authorize the necessary studies to establish these future policies.

BUDGET CONTROL

In looking back over the past few years, it can be said these have been busy, sometimes hectic, but at all times progressive years in the City of Anchorage. With the tremendous growth and the resulting pressures for expansion of services demanding the efforts and attention of all City personnel, it is conceivable an element of control has been lost in some areas.

For this reason a close look is being taken by the Administration in an effort to develop more applicable systems and sophisticated procedures. It is felt that more comprehensive controls will be initiated in some areas and a more satisfactory method of reporting to Management will be experienced.

SPECIAL ASSESSMENT BILLING

There are two areas of concern to the Administration regarding the manner in which Special Assessment Billing has been done in the past. An evaluation of methods to streamline these procedures is in process. The ultimate objective is to calculate assessments more currently and bill earlier during the year in order to receive payment prior to the end of the year.

Secondly, a study is being made to develop a method of billing assessments in advance based on estimates. Any adjustments could be made after the actual amounts had been established. In effect collections could be made earlier and eliminate delays in billing due to long lapses of time from origination to completion of improvements eligible to be assessed. This effort must conform with certain provision set forth by the State Legislature.

ADVANCE BILLING OF FLAT RATE UTILITY SERVICES

Throughout the country it is the custom of most utilities to bill flat rate services in advance. The City of Anchorage has historically billed after the flat rate service has been rendered. A number of advantages would result from the City of Anchorage changing its current practice. The City's cash position could be improved as the result of a one-month advance billing. A much improved relationship could be enjoyed between the City and the customer if our fairly inflexible utility security deposit policy could be relaxed as the result of a one-month advance billing. The City's public image would be enhanced if utility security deposits were based on the customer's credit history and their credit experience with the City. A complete analysis and recommendation is planned during 1966 involving the advance billing of flat rate utility services and the off-setting reduction to the amount of security deposits and the term that such security deposits are held by the City.

CITY-WIDE RECORDS MANAGEMENT AND MICROFILM PROGRAM

In the interest of being prudent, a six-month pilot program is underway. Records of the Finance Department dating back to the 1920's which are required to be retained by law and for reference are being placed on microfilm. This is not a simple procedure since it is essential that each record must be scrutinized from several different aspects. Each record must be evaluated for its worth to the City when retained. Duplications must be eliminated. Photographic ability must be determined. Retention periods must be established to conform with legal requirements for certain vital documents. A systematic method of indexing on film must be devised for rapid retrieval. The rewards of the effort will be many, but perhaps the most important will be protection against loss by fire or water since thousands of records can be stored in a small vault. The minimum storage area requirements will result in savings by releasing expensive floor space now used for files to more lucrative uses. In many areas much time can be saved in eliminating the need for lengthy searches. This pilot project is another vitally needed step toward modernizing our Municipal machinery.

An example of the results from this study is the savings to the City of approximately \$1250 per year by discontinuing the microfilming of toll tickets. It was found this procedure was unnecessary and that the filmed tickets served no purpose since the retention period necessary was limited to one year.

COMPUTER FEASIBILITY

An ancient adage "Half a loaf is better than none at all" or words to this effect could be the philosophy of the Administration in the function of the City's Data Processing Division. This approach might well apply with reference to the installation of an IBM 1401G Computer early in 1966. However, this is not the case.

The Computer Feasibility Review which began early in May, 1965, revealed the desperate need for a modern high speed computer in early August, 1965. The review also revealed that even though this equipment was needed in 1966 it would not be prudent from several aspects to secure it in such a time frame. Much planning, coordinating, training and education must be accomplished before equipment with such capabilities as will stagger one's imagination should be installed.

At the same time the Administration recognized that something had to be done in 1966 to cope with the business affairs of the City of Anchorage. The only economically sound solution is the 1401G installation as, and only as, an interim. This conversion from the Unit Record equipment of the past is inexpensive and relatively simple, yet gives much greater capabilities.

To date the Greater Anchorage Area Borough and the City of Anchorage have entered into a joint useage agreement. Actually the joint usage agreement became effective in September, 1965, with Unit Record equipment in the City Data Processing center and will continue after the computer installation. This arrangement reduces costs of data handling for both entities, creates an ability to process records of mutual concern in a single area, permits job expansion capabilities and results in better understanding between the governmental bodies.

It is the hope that the Greater Anchorage Area School District will become a partner in the joint computer effort. However, it is understandable that this is quite impossible until a larger, more powerful computer is installed.

Today the City of Anchorage needs and can justify a large computer. With the participation of the other governmental entities in the use of such equipment, a savings to the City is without question. There has always been and always will be a cost for progress. The Administration is convinced there is an opportunity for progress in the entire area at minimal cost if this concept is pursued. Therefore, the Administration recommends an order be placed for a computer that will meet the requirements deemed essential as quickly as is reasonable and prudent.

SUMMARY AND CONCLUSION

Based on the recommended policy changes that will require Council's review and final determination, a total City operating budget of \$19,041,986 is indicated for 1966. Of this amount \$6,620,790 is programmed for the City's General Fund operations. A balanced budget, incorporating the Administration's recommendations, will require an estimated 10.4 mill levy on the 100% "full and true value in cash" assessment basis but the final rate will not be determined by the Council until April.

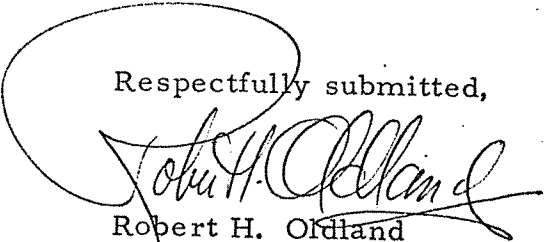
It is noted that final assessed value of all taxable real and personal property in the City cannot be determined until after the Board of Equalization review and the adoption of the assessment role. The actual mill levy must necessarily be determined at that time.

The Administration believes that, as in 1965, each budget year should be based on a budget document that (1) faces facts regarding fiscal limitations and establishes limits to service programs that can realistically be developed, (2) contains new concepts and recommendations for changes and improvements, and (3) identifies the procedures and programs that can lead to a better and more prosperous Anchorage. The 1966 budget is based on this philosophy.

It is with the recognition that the City can, and in the belief that the City MUST, set the pace for our cultural and economic growth that the 1966 budget was prepared. Within the limits of the resources which can reasonably be made available, the 1966 budget provides for the essential municipal services, capital improvements and utility services required by the citizens. Further, it suggests a means for stimulating the element of PROGRESS that is vital to all cities desirous of maintaining an "All American City" heritage.

The Finance Director, Controller and staff, the City Manager's staff, and our able department and division heads are deserving of recognition for their efforts and assistance in preparing this document of service.

Respectfully submitted,



Robert H. Oldland
City Manager

RHO/mr

SUMMARY OF CITY COUNCIL BUDGET REVIEW ACTION 1966 BUDGET

On December 14, 1965, Resolution Number 102-R-65 was enacted by the City Council which adopted the 1966 budget for the City of Anchorage. A summary of the specific adjustments to the City Manager recommended budget is as follows:

GENERAL FUND REVENUE

The proposed mill rate was reduced from 10.4 mills to 8.3 mills based upon \$385,000,000 total estimated assessed value for 1966. Two new concepts were adopted regarding the payment in lieu of taxes to the General Fund from each of the City utilities and the contribution to the General Fund from each of the City utilities as follows: The payment in lieu of tax as approved by the City Council is based upon 9% of operating revenues earned within the City for the Telephone and Water Utilities and 2% for the Electric Utility. The adoption of this policy provided for an increase to General Fund Revenue of payment in lieu of taxes utilities by \$84,181 over that proposed by the City Manager for a new total revenue of \$444,626. The basis for contributions from utilities to the General Fund is as follows:

Telephone - With a base of \$435,110 the contribution will be reduced \$43,511 each year until 25% of net income is reached. The actual 1966 contribution is, however, limited to available retained earnings and was set at \$324,819.

Electric - With a base of \$586,326 the contribution will be reduced \$58,633 each year until 25% of the net income is reached. Therefore, \$527,693 is identified as the Council approved contribution from the Electric Utility to the General Fund in 1966.

Water - With a base of \$117,088 the contribution will be reduced \$11,709 each year until 25% of net income is reached. On this basis, Council adopted the sum of \$105,379 as the 1966 contribution to the General Fund.

The changes indicated above represent Council approved contributions from the three utilities of \$957,891 for 1966 compared to the City Manager recommended total of \$405,026.

Off-Street Parking Reserve - Because of the deletion in the parking expenditure budget of a \$15,000 item for parking survey, the appropriation of off-street parking reserve funds was reduced by \$15,000 to become \$6,749.

The approved total General Fund Revenue Budget is, therefore, \$6,427,016.

GENERAL FUND EXPENDITURES

Law Department - Account 1209.22 reduced by \$7,000 the amount provided for up-dating of the Municipal Code. Account 1228.60 charge cost of titles and appraisals to Port Industrial Park for a net reduction of \$7,500.

Finance Department - Data Processing Division Account 1291.11. Eliminate one Key Punch Operator I for gross cost reduction of \$6,472.

Treasury Division - Account 1207.11. Eliminate one Clerk II. Gross cost reduction \$5,700.

Police Department - Operations - Account 1220.11. Add one Police Investigator for an increase of \$9,480.

Animal Control - Account 1222.60. Assume Borough take over of animal control function effective July 1, 1966. Therefore, 50% of recommended budget to be paid by Borough for a total charge to others of \$12,592.

Traffic Engineering Department - Account 1237.22. Recommended parking survey for zoning requirements is a Borough obligation and it is eliminated from the budget in the amount of \$15,000.

Public Works Department - Division of City Structures - Account 1211.11. Eliminate one Public Works Foreman, one Maintenance Man IV and one Maintenance Man III for a gross cost reduction of \$26,048.

Division of City Structures - Account 1211.22. Delete City Warehouse fence extension and fire station #5 fencing for a gross cost reduction of \$4,720. Account 1211.25. Delete copy machine for a gross cost reduction of \$2,000. Account 1211.31. Based upon a reduced scope of force account maintenance work, reduce the budget for materials by \$15,000. \$7,500 however, is added back to this account to provide materials for renovation of the old jail building at the old M. L. & P. headquarters for continued use in 1965. Therefore, the gross cost reduction is \$7,500. Under Capital - Public Improvements the proposed Warehouse addition was eliminated for a gross cost reduction of \$50,000.

Parks and Recreation Department - Account 1254.31. Eliminate fireworks display for a gross cost reduction of \$1,000.

General Services - Community Promotion Account 1212.22. Santa Clause Lane support reduced from \$3,500 to provide electricity only. Account 1212.11. Provide \$1,500 for personnel support of Zonta Club. Account 1212.21. Add \$1,000 for miscellaneous and national advertising.

Fire Department - Account 1223.31. Correct typographical error in the total as shown in the original budget as recommended by the City Manager for a gross cost reduction of \$600.

Based upon Council adoption of pay plan adjustments, the \$80,000 provided in the City Manager's recommended budget under account 1260.45 was eliminated and the revised authorized salaries for General Fund personnel have been incorporated in each department's accounts.

The approved total General Fund expenditure budget is, therefore \$6,427,016. Of this sum, \$43,316 is identified as a contingency fund.

REFUSE FUND

No specific changes have been identified by the City Council. The minor effect of pay plan adjustments and allocated cost adjustments have been reflected in the Council approved budget. The proposed refuse rate increase is likewise reflected. The Council approved 1966 budget, therefore, provides for total revenue of \$560,575. Total expense of \$544,523 and a net income of \$16,552.

PORT AND TERMINAL FACILITIES FUND

No specific changes were identified by the City Council. The minor effects of the revised pay plan and effects of cost allocations from central service functions have been incorporated in the approved budget. As a result, the approved total revenue is \$749,500. Total operating expense \$280,777. Interest expense \$364,800 which produces income available for principal and reserves of \$103,923. On this basis the projected balance of retained earnings at December 31, 1966 is \$135,933.

PORT INDUSTRIAL PARK FUND

The cost of tidelands appraisals as conducted by Property Management has been charged to this fund resulting in a increase to expenses of \$7,500. The minor effects of changes in allocation of cost for central service functions likewise have been recorded resulting in an approved budget of revenues \$70,680, expenses \$63,517, for a net income of \$7,163. On this basis, the projected balance of retained earnings as of December 31, 1966 is \$17,055.

TELEPHONE UTILITY FUND

City Council changes to the City Manager recommended budget include the revised policy concerning payment in lieu of tax and contribution to the General Fund as identified above. Other minor changes have been recorded in the approved budget resulting from changes in the costs allocated from central service functions. The Council approved 1966 Telephone Utility Fund budget is therefore, revenues \$4,550,000 total expense \$3,785,181, which produces a net income of \$564,819.

With specific reference to page F2, Analysis of Retained Earnings, Council determined that the \$160,000 expenditure budget covering extraordinary retirement should be treated as a non-cash increase to retained earnings, in the same manner that depreciation is treated. On the basis of these changes, the projected balance of retained earnings at December 31, 1966 is \$1,235.

ELECTRIC UTILITY FUND

Council approved a proposed 10% reduction in Electric Utility rates, effective April, 1966. On this basis a total Council approved revenue is \$3,843,200. Payment in lieu of taxes and contribution to the General Fund have been adjusted as identified above. Other minor changes have been incorporated in the Council approved budget resulting from allocation and cost changes, which produces a total expense of \$2,980,730 and a net income of \$862,470. On this basis the projected balance of retained earnings as of December 31, 1966 is \$70,006.

WATER UTILITY FUND

Council approved a proposed 10% rate reduction to be effective April, 1966. On this basis the total Council approved revenue is \$1,583,200. Personnel changes include the elimination of one Administrative Assistant I and one Maintenance Man III. Effects of pay plan changes and allocated cost changes are reflected in the Council approved expenditure budget. The payment in lieu of tax and contribution to the General Fund are reflected as indicated above. On this basis the total approved expenditure budget is \$1,240,906, which produces \$324,294 net income. The projected balance of retained earnings at December 31, 1966 is \$296,504.

GARAGE WORKING CAPITAL FUND

No specific changes in this budget were identified by Council, however, the effects of pay plan adjustments have been recorded in the Council approved budget which provides for a total expenditure budget of \$786,559 and charges to others of \$786,559 producing a net income of zero.

CAPITAL IMPROVEMENT PROGRAM

Item E2, office space addition at warehouse in the amount of \$50,000 was deleted. No other changes in the Capital Improvement Program were identified.

SUMMARY

Comparisons of budget totals for each separate fund are as follows:

<u>Revenues</u>	<u>Adjusted Budget - 1965</u> <u>Amount</u>	<u>Recommended</u> <u>Budget - 1966</u> <u>Amount</u>	<u>Council</u> <u>Approved</u>	<u>'66/'65</u> <u>Increase</u> <u>(Decrease)</u>
General Fund	\$ 6,461,886	\$ 6,620,970	\$ 6,427,016	(0.5%)
Electric Utility	3,800,800	4,097,700	3,843,200	0.1%
Port of Anchorage Municipal Terminal .	683,000	749,500	749,500	11.0%
Port of Anchorage Industrial Park. . .	99,433	70,680	70,680	(28.9%)
Water Utility.	1,704,444	1,700,200	1,583,200	(7.7%)
Telephone Utility.	3,886,000	4,550,000	4,550,000	11.7%
Refuse Utility	453,818	466,860	560,575	12.4%
Mechanical Maintenance	716,595	786,076	786,559	11.0%
 TOTALS	 \$17,805,976	 \$19,041,986	 \$18,570,730	 10.4%

RESOLUTION NO. 102-R-65

A RESOLUTION ADOPTING THE 1966 BUDGET FOR THE CITY OF ANCHORAGE, ALASKA, AND APPROPRIATING MONIES FOR THE 1966 BUDGET

WHEREAS, the City Manager has prepared his proposed 1966 budget for the City of Anchorage, Alaska, and has presented the budget to the City Council in accordance with Section 6.2 of the City Charter, and

WHEREAS, The City Council reviewed the budget as presented and made various changes therein, and

WHEREAS, a notice of the public hearing was published as required by Section 6.3(b) by the City Clerk one week prior to the date of hearing, and

WHEREAS, on December 14, 1965, at a regular meeting of the City Council a public hearing was held on the budget as revised in accordance with Section 6.3 of the City Charter, and

WHEREAS, the 1966 budget is ready for adoption.

NOW, THEREFORE, THE CITY OF ANCHORAGE RESOLVES:

Section 1. That the 1966 budget for the City of Anchorage as prepared by the City Manager and revised by City Council be and the same hereby is, adopted as the 1966 budget of the City.

Section 2. That the amounts as set forth in the 1966 budget for the respective departments shall be and they hereby are appropriations for the 1966 fiscal year.

Publication of this resolution shall be made by posting a copy hereof on the City Hall Bulletin Board for a period of ten days following its passage and approval.

Passed and approved by the City Council of the City of Anchorage, Alaska, the day of December, 1965.

ATTEST:

/s/ B. W. Boeke
B. W. Boeke, City Clerk

/s/ Elmer E. Rasmuson
Elmer E. Rasmuson, Mayor

CITY OF ANCHORAGE

GROWTH STATISTICS (Including 1965 Construction)

	Jan. 1 1957	Jan. 1 1961	Jan. 1 1966
1. <u>STREETS</u>			
a. Paved - miles	23.2	47	66.8
b. Unpaved - Miles	56.0	85.4	77.1
2. <u>ALLEYS</u>			
a. Paved - Miles	0.3	1.0	1.7
b. Unpaved - Miles	25	32	31.3
3. <u>STORM SEWERS</u>			
a. Storm Sewer Lines - miles	14.2	18.6	35.0
b. Catch Basins	365	528	727
4. <u>SANITARY SEWERS</u>			
a. Sanitary Sewer Lines - miles	43	93	116.4
b. Lift Stations - each	2	4	4
c. Service Connections - each	1890	3790	6106
5. <u>WATER UTILITY</u>			
a. Water Lines - miles	63.5 (est.)	90 (est.)	148.6
b. Connections - each	3557	8500	11600
c. Hydrants: Outside City	75	131	233
Inside City	307	617	804
d. Production - billions of gallons	0.38	1.21	3.45
6. <u>AREA</u>			
Area Inside City Limits - Sq. Miles	9.9	15.0	15.1
7. <u>TRAFFIC</u>			
a. Signalized Intersections - each	21	39	51
b. Parking Meters: OW Street - each	850	1375	1500
Off Street - each	338	425	535
c. Parking Lots - each	7	8	9
8. <u>M.L.&P.</u>			
a. Street Lights - each	1289	1575	1940
b. Miles of Streets Lighted - miles	80	100	140
9. <u>MERRILL FIELD</u>			
Take Offs & Landings	160,000	175,000	163,500