

1970 ANNUAL BUDGET

**CITY OF
ANCHORAGE, ALASKA**

266663

CITIZENS OF ANCHORAGE

COMMISSIONS

PARKING & TRAFFIC COMMISSION
TRANSPORTATION COMMISSION
PORT COMMISSION
TELEPHONE COMMISSION
ELECTRIC UTILITY COMMISSION
CITY PLANNING ADVISORY COMMISSION
CITY HISTORICAL & FINE ARTS COMMISSION
URBAN BEAUTIFICATION COMMISSION
CIVIL DEFENSE & DISASTER ADVISORY COMM.
HUMAN RELATIONS COMMISSION
CITIZENS BUDGET ADVISORY COMMISSION

BOARDS

POLICE & FIRE RETIREMENT BOARD
BOARD OF EXAMINERS & APPEALS
BOARD OF GAS FITTER & PLUMBER
EXAMINERS & APPEALS
LIBRARY ADVISORY COMMITTEE
CONSTRUCTION ADVISORY COMMITTEE
PARKS & RECREATION ADVISORY BOARD

**MAYOR
CITY COUNCIL**

**CITY
MANAGER**

**CITY
CLERK**

**CITY
ATTORNEY**

DISTRICT
JUDGE**

**INTERNAL
AUDIT
Int. Auditor**

**PERSONNEL
Pers. Director**

**HUMAN
RELATIONS
Exec. Director**

**CIVIL
DEFENSE
Director**

**FINANCE
DEPARTMENT
Director**

**DATA
PROCESSING
Manager**

**FIRE
DEPARTMENT
Chief**

**TRAFFIC
ENGINEERING
DEPARTMENT
Traffic Eng.**

**LIBRARY
Librarian**

**PUBLIC WORKS
DEPARTMENT
Director**

**POLICE
DEPARTMENT
Chief**

**PARKS &
RECREATION
DEPARTMENT
Director**

**ANCHORAGE
TELEPHONE
UTILITY
Manager**

**MUNICIPAL
LIGHT &
POWER
Manager**

**PORT OF
ANCHORAGE
Director**

* APPOINTED BY THE GOVERNOR OF ALASKA

CITY OF
ANCHORAGE



ALASKA

1970 BUDGET LETTER OF TRANSMITTAL

Honorable Mayor and City Council
City of Anchorage, Alaska

November 4, 1969

Gentlemen:

Pursuant to Section 6.2, Chapter VI, Code of Ordinances, the 1970 budget is submitted herewith. The budget message is part of the budget document which contains the City Manager's budget recommendations, analysis of revenues, and comparisons of prior year data.

A copy of the 1970 budget has been filed with the City Clerk for public inspection.

Section 6.3(b), Chapter VI, Code of Ordinances, requires a public hearing on the budget prior to final adoption by Council. We suggest a public hearing be held on Tuesday, November 25, 1969, at 7:30 p.m.

This budget originated with the department heads; it was reviewed for format, completeness and accuracy in the Department of Finance; and, after budget conferences with the City Manager, a detail review was made by the Director of Finance, Assistant City Manager and City Manager, and a decision reached by the City Manager as to the recommended amounts for the various programs.

I wish to express my appreciation to everyone who participated and assisted in the preparation of this budget.

Sincerely yours

Robert E. Sharp

Robert E. Sharp

City Manager

RESOLUTION NO. 85-R-69

A RESOLUTION ADOPTING THE 1970 BUDGET FOR THE CITY OF ANCHORAGE, ALASKA
AND APPROPRIATING MONIES FOR THE 1970 BUDGET

Whereas, the City Manager has prepared his proposed 1970 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 November 25, 1969, at the 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 1970 budget is ready for adoption.

NOW, THEREFORE, THE CITY OF ANCHORAGE RESOLVES:

Section 1. That the 1970 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 1970 budget of the City.

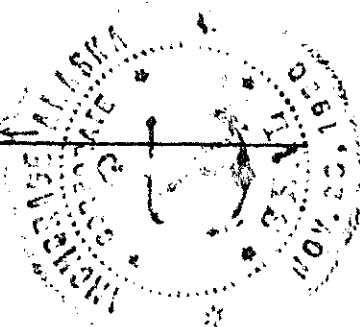
Section 2. That the amounts as set forth in the 1970 budget as revised by City Council for the respective departments shall be and they hereby are appropriations for the 1970 fiscal year.

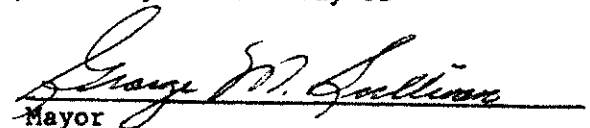
Publication of this resolution shall be made by posting a copy hereof on the City Hall Bulletin Board for a period of ten (10) days following its passage and approval.

Passed and approved by the City Council of the City of Anchorage, Alaska, the 9th day of December, 1969.

ATTEST:


City Clerk




Mayor



CITY OF ANCHORAGE, ALASKA

ANNUAL BUDGET

FOR THE CALENDAR YEAR OF

1970

CITY COUNCIL

GEORGE M. SULLIVAN
Mayor

JOSEPH A. YESENSKI

GORDON HARTLIEB

WILDA HUDSON

JAMES O. CAMPBELL

RICHARD L. SILBERER

BERNARD L. MARSH

BENNIE LEONARD

LEONARD W. PECK

APPOINTED OFFICIALS

ROBERT E. SHARP *City Manager*

B. W. BOEKE *City Clerk*

J. H. SHORTELL *Acting City Attorney*



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CITY OF ANCHORAGE
OFFICE OF CITY MANAGER

1970 BUDGET MESSAGE

by

Robert E. Sharp
City Manager

The 1970 budget for the City of Anchorage is in balance. This budget represents the minimum fund requirements to provide essential governmental services to the people and to meet the service demands of the Electric, Refuse, Telephone and Water Utilities and the Port of Anchorage. It recognizes increased activities in several programs resulting from the accelerated growth which is occurring in the City. However, the full impact of the oil industry development is not known. It may be necessary to make adjustments during the year, particularly in the capital programs, as the need and demand for services and facilities are better defined.

This budget has been under preparation and review for the past several months. Following preparation and submission by department heads, the Department of Finance has verified costs, reviewed for format and correct funding, and this office has done extensive review in arriving at the recommendations which Council is asked to consider for approval.

Inasmuch as a number of different funds are involved, each of the principal funds will be discussed separately in this message.

GENERAL FUND

Last year an analysis was made of revenue sources. This analysis revealed a fairly uniform growth in total revenues and property tax revenues for the period 1955 to 1967. The same analysis this year, for the period 1956 to 1968 reveals a growth in total revenues (\$3.6 million to \$8.8 million) of 143 percent. Property taxes increased 160 percent over this same period.

The trend in property tax growth exceeding the growth in total revenues discussed last year is more

evident in this year's analysis. It is more evident when a shorter period is examined. From 1963 to 1968 property taxes increased from \$2.2 million, or 39.7 percent of total revenues, to \$4.6 million, or 60.5 percent of total revenues. The mill rate increased 6.98 mills (adjusted for assessment change in 1965) to 10 mills, an increase of 3.02 mills or over 43 percent in five years.

Added to the evident problem of a disproportionate increase in property tax revenues to other revenues in the General Fund is a similar pattern in overlapping Borough property taxes. During the period 1963 to 1968, Borough property taxes were increased from 8.4 mills (adjusted) to 14.18 mills, an increase of 5.78 mills or 69 percent. This trend is slightly higher than shown for the City.

Since budget time last year a concerted effort was made by this office, through the Alaska Municipal League, to increase the amount of State Shared Revenues. A good start in this direction was made by the Legislature in 1969. Chapter 95, SLA 1969, removed the 3.5 mill effort required of cities or boroughs under the School Foundation Program. Without this change in the law, the Greater Anchorage Area Borough school taxes would have been 4.38 mills higher for the current year.

Chapter 95, SLA 1969, also provides for per capita grants to cities or boroughs of \$5.00 for police protection; \$2.50 for fire protection; \$1.00 for air and water pollution control; \$1.00 for land use planning; and, \$1,000 per mile for road maintenance. The City's direct State shared revenues under this act were relatively small in 1969 because the program was not fully funded and we have a different fiscal year than the State. However, in 1970 we expect to receive about \$500,000 under this Act. Without this increased revenue sharing, City taxes would have had to be increased again to meet increased costs of governmental services.

We shall continue our efforts, through the Alaska Municipal League, to expand the State Shared Revenue Program. In this connection, the League has appointed a special committee to work on this important program. Its members are:

Robert E. Sharp, Anchorage City Manager, Chairman
 Red Porter, Fairbanks City Councilman
 Myrt Charney, Juneau Borough Chairman
 Margaret Federoff, Sitka City Clerk
 James Eide, Ketchikan City Manager

This committee met during the recent League Conference and conferred with State officials. The committee is currently concentrating on a program to (1) fully fund Chapter 95, SLA 1969, and (2) obtain State grants for school, street, water, sewer, and other capital improvements or debt service on general obligation bonds issued for capital improvements. However, a final program will not be proposed until further study and conferences are held.

In view of the property tax trend previously discussed and the efforts already underway to develop new revenue sources, this Administration adopted, for budget review purposes, a policy of disallowing increased manpower not considered critical to maintaining current service standards or to meet new demands that have resulted from growth. Other costs were reduced wherever feasible to do so. The only areas of avoidable increased costs recommended are for programs to ultimately produce cost savings or to adjust for inequities.

There has been placed in the General Fund Budget \$285,000 to cover allocations to various accounts for a contemplated pay increase on January 1, 1970. The last pay increase was on April 1, 1968. The increased cost of living and changes in the labor market makes an adjustment necessary for City employees. A pay study has been conducted by the Personnel Director and it will be presented to Council during one of the budget work sessions for review before a formal presentation later in the year. The amount included in the budget, and other savings during the year, should be sufficient to fund such increase as Council may approve.

The total General Fund budget recommended for fiscal year 1970 is \$10,726,330. This compares with departmental requests of \$10,697,641 and the 1969 revised budget of \$9,867,771.

The major classifications of expenditures contemplated in the 1970 budget and the relationship of each to the total are as follows:

<u>Classification</u>	<u>Amount</u>		<u>Percent of Total</u>	
	<u>1969</u>	<u>1970</u>	<u>1969</u>	<u>1970</u>
General Government	\$ 824,065	\$ 885,020	8.35	8.25
Public Safety	3,284,564	3,486,890	33.29	32.50
Traffic Engineering and Public Works	1,949,380	2,275,080	19.76	21.21
Library	289,985	*328,350	2.94	3.06
Museum, Parks and Recreation	778,537	846,200	7.89	7.89
** Miscellaneous	361,270	535,690	3.66	4.99
Debt Service	<u>2,379,970</u>	<u>2,369,100</u>	<u>24.11</u>	<u>22.10</u>
TOTALS	\$ 9,867,771	\$ 10,726,330	100.00	100.00

* Includes \$53,050 for Borough Library contract, recovered 100%

** Includes \$285,000 for pay increase allocations.

The above major classification analysis indicates very little change in 1970 in the distribution of funds among the major programs. There is a slight shift in emphasis in the public works programs.

There is a net increase of 33 employees in the General Fund programs, including six for capital projects engineering and five for Borough fire and library contract work. Thirty-seven additional personnel are recommended as follows: District Court, 2; Department of Finance, 5; Police, 11; Fire 6 (4 for Borough contract); Public Works, 8; Library, 3 (1 for Borough contract) and Parks and Recreation, 2. Three reductions in personnel are recommended as follows: Property Management, 1; Traffic Engineering, 1, and Parks and Recreation (bond funds) 1.

The total amount of the increase in the 1970 budget of \$858,600 is generally accounted for as follows:

Employees' pay increase	\$ 285,000
Debt Service/Special Assessments	178,600
Net additional employees	200,000
Built-in cost increases	195,000

The debt service amount is sufficient to cover bonds issued and contemplated issues payable in 1970. Interest earnings from bond funds are treated as recoveries in the redemption accounts.

A consulting firm is in the process of completing the conceptual design of a Financial Management Program. Staff has worked with the firm and obtained advance information on the cost of implementation. This budget includes \$132,670 in data processing and for consulting services to implement this important program. This amount is allocated 47 percent (\$62,354) to the General Fund and 53 percent (\$70,316) to other funds. We plan to have the consulting firm present its report during one of the Council work sessions.

The City, like other employers, is confronted with increased costs due to the general inflationary trend. These increases are reflected throughout the budget for materials, services, and equipment. In addition to the budgetary provision made for a pay increase, step increases and longevity increases are reflected in the increased salary costs.

No capital outlay, except for equipment and minor projects, is planned from the General Fund in 1970. The capital improvement program funded from bond proceeds will be discussed later in this message.

There has been applied a one percent reduction in personal services in all departments and an additional one percent in larger departments for vacancies due to personnel turnover. This procedure is a common method to more accurately estimate salary costs for authorized strengths.

The General Fund revenue estimates have been closely analyzed in determining the 1970 budget recommendations for Council consideration and approval.

The payments in lieu of taxes from the electric, telephone, and water utilities have been estimated on the basis of the net plant value in the City limits times the total mill rate contemplated for 1970. This procedure was used in 1969 and produces payments nearer what the taxes would be if these properties were subject to ad valorem taxes.

The Refuse Utility does not own its equipment or other property. For this reason, an estimate under the franchise tax revenue classification has been used, and the amount increased from \$25,200 to \$30,600, which is 4 percent of estimated gross revenues.

Charges for current services include the general overhead costs of the City at a rate of approximately 3 percent.

The contributions from the Electric, Telephone and Water Utilities are based on a return of 6 percent on the City equity in each fund. The amounts are: Electric, \$480,000; Telephone, \$276,000; Water, \$72,000. The total from these sources is \$12,950 less than the 1969 revised budget of \$740,950. The 1969 contributions were increased in the third quarter revision to offset reduced payments in lieu of taxes. No contribution from the Water Utility was possible in the 1969 budget, but with contemplated rate adjustments \$72,000 has been included in the 1970 budget estimate.

As previously mentioned, \$500,000 in State shared revenues from Ch. 95, SLA 1969 has been included. This estimate contemplates full funding of this program for the 1970 fiscal year of the City.

Property tax revenues were estimated on the basis of estimated assessed values on January 1, 1970, furnished by the Borough Assessor and a ten mill ad valorem tax levy.

1970 revenues include \$68,000 for reimbursement to the City for electricity for street lights on federal aid routes which traverse the City. Although the City began paying this cost several years ago, it is a legitimate State cost and we have asked the Highway Department to assume this cost.

There is a small margin (\$136,470) of revenues over expenditures which should be retained for variance in revenue estimates and to start accumulating a working capital balance in the General Fund.

The trend of increased property taxes every year has been stopped. If efforts to expand State shared revenues are successful during the next session of the Legislature, it may be possible for Council to reduce the mill rate when the levy is made during May or June of 1970.

ELECTRIC UTILITY FUND

The Electric Utility budget for 1970 is designed to finance normal operation and maintenance. Revenues are expected to total \$4,879,000 and expenditures \$4,241,030 in 1970. Gross income from operations is estimated at \$637,970. The retained earnings balance on January 1, 1970 is expected to be zero and \$1,080,055 at year end. The capital improvement financing is to be from revenue bond funds to restore the cash position of this fund.

The rate of return on electric plant in 1970 (computed after depreciation and before interest expense) is expected to be approximately 6.9 percent. This is less than industry standards ranging up to 7-1/2 percent.

TELEPHONE UTILITY FUND

The Telephone Utility program in 1970 contemplates the continuation of upgrading services with major additions to both inside and outside plant. Revenues, including gross toll receipts for 1970, are expected to total \$15,062,000 and expenditures \$13,403,900. The total estimate for capital outlay is \$6,835,000. This will be financed by \$1,663,000 from Telephone Utility Fund and \$5,172,000 from Telephone Revenue Bond Funds.

The rate of return on telephone plant in 1970 (computed after depreciation and before interest expense) is estimated at over 12 percent. This is above industry standards of 7 to 8 percent. However, the rate of return should be analyzed over a longer period than one year. The depreciation schedules have not been reviewed in light of recent accelerated rates adopted by the industry. The telephone rate structure and depreciation schedules will be generally reviewed during 1970 and if a more detailed study is indicated it will be recommended.

WATER UTILITY FUND

Water revenues in 1970 are expected to total \$2,046,900 and expenditures of \$2,030,650 for a net income of \$16,250. The balance of retained earnings is expected to be \$64,330 deficit on January 1, 1970 and \$195,080 deficit at the end of the year. \$515,000 has been budgeted for capital improvements from the Water Utility Fund.

A water rate study is near completion by a consulting firm. An advance forecast of an overall average increase of 25 percent in revenues to meet cash flow requirements was furnished by the firm and has been used in this budget. As soon as the study is complete, a work session on it will be scheduled.

The rate of return on Water Plant in 1970 (computed after depreciation and before interest expense) will be approximately 5.9 percent, assuming a 25 percent increase in revenues. The rate of return has ranged from 3 to 5 percent since 1962. The industry standard is 6 to 7 percent. The rate of return at 1969 rates would be approximately 2.5 percent.

GARAGE FUND

The Equipment and Supply 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 City functions. All costs are recouped through charges to the using department.

PORT AND TERMINAL FACILITIES FUND

The Port and Terminal Facilities budget contemplates the normal operations of the Port of Anchorage, including the 272 foot extension completed in 1968. Revenues are expected to total \$1,133,600 and expenditures of \$670,510 leaving a margin of \$463,090 after debt service on Port Revenue Bonds has been paid. The retained earnings balance on January 1, 1970 is expected to be zero due to restrictions imposed by the Trust Agreement. The excess funds go into reserves established by the Trust Agreement.

PORT INDUSTRIAL PARK FUNDS

The Port Industrial Park Fund finances the adjacent industrial park area. This area is administered by the Port staff. Revenues of \$116,370 are expected to cover the budget estimate of \$36,180 leaving a margin of \$80,190 which becomes General Fund revenue to help pay debt service on G. O. Bonds

REFUSE FUND

The Refuse Fund is currently in a deficit position. A review of this operation indicates an upward adjustment is required to meet the cost of this service. This budget has been prepared on the basis of a 10 percent increase in domestic rates and a 40 percent increase in commercial rates. This will result in an overall revenue increase of 25 percent. A detail rate presentation is contained in the budget document. The rates proposed are less than rates charged by others for refuse service in this area. The increase proposed should be sufficient to meet the cost of service for several years without further adjustment.

Total revenues are estimated at \$967,000. Expenses are estimated at \$844,680, yielding a net income of \$122,320. It is estimated that the refuse deficit of \$33,326 on January 1, 1970 will be converted to a surplus of \$88,994 on December 31, 1970, thereby providing a minimum working capital balance.

CAPITAL IMPROVEMENT PROGRAM AND FUNDS

The 1970 Capital Improvement Program totals \$21,887,400 for general government and utility projects. This program was developed during August and September, 1969, and may not reflect the full impact of the oil development now gaining momentum in Alaska.

In addition to the 1970 program, Council will receive during the budget work sessions, capital improvement projections for the years 1971 through 1974. These projections will be reviewed during 1970 in the light of new demands as they become evident. We are currently reviewing the off-street parking demand and expect to make further recommendations later this year or early in 1970.

The 1970 CIP is summarized as follows:

Public Works

Streets and Drainage	\$ 5,075,000
Sanitary Sewers	1,000,000
Vehicle and Parts Storage Improvements	41,000
Salt Storage Facility	126,000
City Hall Annex Improvements	88,000
Merrill Field Paving, Drainage of Access Road and Stub Taxiways	235,000
	<u>\$ 6,565,000</u>

Traffic Engineering

Traffic Control	\$ 75,900
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Fire Department

Fire Training Facility	\$ 50,000
Addition to Fire Mechanical Maintenance Shop	40,000
Municipal Fire Alarm System	99,000
	<u>\$ 189,000</u>

Police Department

Police Vehicle Storage and Training Center	\$ 260,000
Police/Honor Farm Duplex	60,000
Public Safety Communications Center	75,000
	<u>\$ 395,000</u>

Parks and Recreation

Neighborhood Parks	\$ 25,000
Chester Creek Sports Complex	39,000
Russian Jack Springs Development	163,000
Chester Creek Park	100,000
Upgrading Existing Facilities	82,000
Anchorage Memorial Park	11,500
	<u>\$ 420,500</u>

Port of Anchorage

Terminal No. 2, Phase 2
 Container Crane
 Litigation Reserve

\$ 2,385,000
 900,000
 127,000
3,412,000

Telephone System Improvements

6,835,000

Electric System Improvements

1,750,000

Water System Improvements

2,245,000

TOTAL 1970 CIP

\$ 21,887,400

The funding is planned as follows:

General Obligation Street and Storm Sewer Bonds
 General Obligation Sewer Bonds
 General Obligation/General Purpose Bonds
 General Obligation/Fire Alarm System & Communications System bonds
 General Obligation Parks and Recreation Bonds
 Federal Grant (Bureau of Outdoor Recreation)
 General Fund
 Cemetery Trust Fund
 General Obligation Merrill Field Bonds
 General Obligation Port Bonds
 Federal Grant (Economic Development Administration)
 General Obligation Port Crane Bonds
 Telephone Revenue Bonds
 Telephone Utility Fund
 Electric Revenue Bonds
 Water Revenue Bonds
 Water Utility Fund

\$ 5,150,900
 1,000,000
 665,000
 174,000
 250,000
 166,000
 3,000
 1,500
 235,000
 1,327,000
 1,185,000
 900,000
 5,172,000
 1,663,000
 1,750,000
 1,620,000
625,000

TOTAL

\$ 21,887,400

The street and sanitary sewer programs have been increased to reflect new demand for subdivision development. Residential street paving will, as in prior years, depend upon petitions received from property owners.

The Parks and Recreation program is being continued on a relatively high level, utilizing primarily bond funds and federal BOR funds.

The Telephone Utility reflects increased areawide demands for service. A sale of \$3,000,000 in telephone revenue bonds was held in October, 1969, and another sale is contemplated in 1970.

An electric revenue bond sale is being scheduled for December, 1969, to finance this capital program.

Tentatively, a general obligation bond sale is scheduled for January, 1970, to finance the 1970 general government capital improvement program.

A water revenue bond sale will be planned, probably, for February, 1970.

These sale dates may be varied for market or other conditions.

CONCLUSION

The 1970 budget, we feel, is realistic. It maintains existing service levels with some improvement in the public works and public safety areas. It makes budgetary provision for an employee general pay increase on January 1, 1970. It provides additional manpower in areas of increased activity or plant to be operated and maintained. It recognizes the accelerated economic activity in this area and the resulting demands for service.

The 1970 Capital Improvement Program of over \$21 million is greatly increased over this year. This program was presented by Council to the voters last October for the bond authorizations which were approved by healthy majorities for all issues.

The 1970 budget can be financed without an increase in property taxes but adjustments in refuse and water rates will be needed to pay the cost of these services.

This Administration is prepared to assist Council in any way it can in the review of the 1970 budget.