An Exercise in Economic Decision Making

You are a member of the Oliver Springs City Council. You have a budget of $250,000 to spend in the coming year. The problem you face is that there are legitimate requests from the city agencies for more than $250,000. The city needs each of these requests. There is a great deal of popular support for each of these requests. You must make a decision about how you are going to spend the money in the best way possible.

REQUEST	Unit Cost	Total Cost	Priority (1= highest/ 9=lowest)	Granted Funding (Y or N)
4 new police cars	$25,000	$100,000		
Remodel the Senior Citizen Center, which houses the Nutrition Center	$70,000	$70,000		
A new animal shelter	$60,000	$60,000		
3 new tennis courts	$30,000	$30,000		
A new bookmobile for the public library	$40,000	$40,000		
An additional fire engine	$95,000	$95,000		
Additional softball and baseball fields	$70,000	$70,000		
A Youth Detention Center to separate youth offenders from adult prisoners	$60,000	$60,000		
A Rails-to-Trails Program	$45,000	$45,000		

1. Fill out the chart above.

2. Why did you consider your #1 priority the most important? Why did you consider your #9 priority the least important?

3. Based on the choices you made, what is the opportunity cost of your decision?

4. How will your decisions impact the community?