

TELEPHONE UTILITY FUND BUDGET

**City of Anchorage
1954**

1954 BUDGET
TELEPHONE UTILITY FUND

SUMMARY OF REVENUES

<u>Code</u>		<u>Estimated 1953</u>	<u>Estimated 1954</u>
T 500	Subscriber Station Revenues	\$ 621,750	\$ 681,718
T 501	Public Telephone Revenues	9,600	16,002
T 506	Other Local Service Revenues	16,150	16,500
T 510	Message Tolls	35,900	37,500
T 523	Directory Advertising	6,004	6,004
T 526	Other Operating Revenues	28,000	27,000
	Depreciation Reserve	94,000	124,530
	1953 Cash Balance		<u>60,000</u>
	<u>Total Resources</u>	\$ 811,404	\$ 969,254

EXPLANATION OF TELEPHONE UTILITY REVENUE ESTIMATES

Subscriber Station Revenues:

The major source of revenue to the Telephone Fund is represented by subscriber station revenues. At the beginning of the year it is estimated that the Telephone System will have 9,487 stations. As new installations of outside plant, now under construction, are completed, this income from subscribers will increase rapidly. It is anticipated that there will be 10,507 subscribers by the end of the year or a gain of 1,080 stations. This will represent an increase in revenue of \$60,000 over 1953 revenues which is approximately 10% increase. In addition to the number of stations, there is also revenue obtained from cable pair units and rentals on various types of special telephone equipment. This represents about 10% of subscriber station revenues.

Public Telephone Revenues:

There will be 45 public telephone stations in January which will be increased monthly until a total of 75 stations is reached. As the number of station installations increase, it is estimated that the net revenues per station will decrease slightly. According to the Telephone Superintendent's analysis, it appears that \$16,002 will be a conservative estimate.

Other Local Service Revenues:

Other local service revenues represent telephone charges made against various City offices.

Message Toll Revenues:

The message toll revenues represent the fees from the Alaska Communications System for long distance toll service. In the event that the present contract is changed on or about June 1, the estimates shown may have to show a corresponding change. \$37,500 is a gross figure from which the City budgets cost of billing and collection.

Directory Advertising and Sales:

The revenue received from directory advertising and sales is anticipated to be the same amount as in 1953. Directory advertising is a contractual revenue which is in addition to receiving a quarterly issue of the telephone directory without charge to the City and the distribution

of these directories. This contract comes up for rebidding in 1954.

Other Operating Revenues:

Other operating revenues include charges for installations, delinquency penalties, interest on bank deposits and other miscellaneous revenues.

Depreciation Reserve:

The amount for depreciation reserve is shown as a revenue item in order that these funds may be used to expand the Telephone System, and to purchase as much as possible of the capital outlay needs out of current revenues. In the event that capital expenditures should not equal the depreciation reserve, an actual cash reserve would be accumulated out of the depreciation charges for future replacement. By using the depreciation reserve for current capital improvements, this money is put to use immediately and at the same time the system reflects a true operating expense.

1953 Cash Balance:

During 1953 it was necessary to cancel purchase orders for large amounts of plant equipment, because prior purchases had exceeded bond funds available and current appropriations. Later, when bonds were authorized, the delay prevented receipt of materials until late in the year. Without materials the 1953 work program had to be cut which, in turn, reduced the work staff. As a result, large under-runs developed in the 1953 budget's operating expenses which were greater than the under-runs in revenue. It is estimated that a \$60,000 net cash balance will be available above the \$30,000 contribution to the General Fund. It is proposed that this cash balance be made available in the 1954 budget to accomplish the balance of the original 1953 work program.

TELEPHONE UTILITY FUND
1954 BUDGET

EXPENDITURE SUMMARY

<u>Expenditure Classification</u>	<u>Estimated 1953</u>	<u>Estimated 1954</u>
Maintenance Expense	\$ 166,000	\$ 147,741
Depreciation Expense	94,000	124,530
Traffic Expense	57,000	58,027
Commercial Expense	23,000	43,563
General Office Expense	85,000	77,365
Other Operating Expense	17,500	28,161
Clearing Accounts	104,732	15,818
Other Expenses	192,947	346,181
Plant Construction	<u>94,000</u>	<u>127,868</u>
Grand Total Expenditures.	\$ 834,179	\$ 969,254

TELEPHONE UTILITY FUND BUDGET

MAINTENANCE EXPENSE

1954 BUDGETARY ESTIMATE

Account No.		Labor	Material & Other	Total
T 602.1	Repairs of Pole Lines	\$ 4,086 00	\$ 1,075 00	\$ 5,161 00
T 602.2	Repairs of Aerial Cable	15,903 00	1,725 00	17,628 00
T 602.3	Repairs of Underground Cable.	2,077 00	925 00	3,002 00
T 602.4	Repairs of Buried Cable	554 00	200 00	754 00
T 602.6	Repairs of Aerial Wire	3,794 00	298 00	4,092 00
T 602.7	Repairs of Underground Conduit.	292 00	150 00	442 00
T 602.9	Tool Expense	-	180 00	180 00
T 603	Test Desk Work	12,758 00	-	12,758 00
T 604	Repairs of Central Office Equipment.	30,366 00	1,000 00	31,366 00
T 605	Repairs of Station Equip.	44,715 00	12,000 00	56,715 00
T 606	Repairs of Buildings and Grounds.	176 00	2,605 00	2,781 00
T 607	Station Removals & Changes	12,242 00	620 00	12,862 00
Total Maintenance Expense		126,963 00	20,778 00	147,741 00

DEPRECIATION EXPENSE

T 608	Depreciation Charges	124,530 00	124,530 00	124,530 00
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TRAFFIC EXPENSE

T 624	Operators' Wages	56,927 00	180 00	57,107 00
T 629	C. O. Stationary and Printing.	-	200 00	200 00
T 633	Other Traffic Expense	-	720 00	720 00
Total Traffic Expense		56,927 00	1,100 00	58,027 00

COMMERCIAL EXPENSE

T 642	Advertising	-	400 00	400 00
T 645	Local Commercial Operations	36,482 00	1,200 00	37,682 00
T 649	Directory Expense	5,381 00	100 00	5,481 00
Total Commercial Expense		41,863 00	1,700 00	43,563 00

Account No.		Labor	Material & Other	Total
<u>GENERAL OFFICE SALARIES & EXPENSES</u>				
T 661	Executive Department	7,752 00	300 00	8,052 00
T 662	Accounting Department	58,002 00	11,311 00	69,313 00
Total Account		65,754 00	11,611 00	77,365 00

<u>INSURANCE & OTHER OPERATING EXPENSES</u>				
T 668	Insurance	- -	14,280 00	14,280 00
T 671	Operating Rents	- -	2,625 00	2,625 00
T 675	Other Operating Expenses	- -	11,256 00	11,256 00
Total Account		- -	28,161 00	28,161 00

CLEARING ACCOUNTS

T 702	Vehicle & Other Work			
	Equipment Expense	- -	12,165 00	12,165 00
T 704	Supply Expense	4,332 00	6,403 00	10,735 00
T 705	Engineering Expense	12,232 00	1,200 00	13,432 00
T 706	Plant Supervision Expense	6,020 00	- -	6,020 00
T 707	House Service Expense	6,218 00	11,799 00	18,017 00
Total		28,802 00	31,567 00	60,369 00
Less: Charges to Plant under construction		(3,924 00)	(5,070 00)	(8,994 00)
Charges to Bond Fund		(19,293 00)	(16,264 00)	(35,557 00)
Total Operation's Clearing Expenses		5,585 00	10,233 00	15,818 00

	Labor	Material & Other	Total
<u>OTHER EXPENSES</u>			
Operating Taxes (payment to General Fund in lieu of taxes).	- -	51,900 00	51,900 00
Contribution to General Fund.	- -	30,000 00	30,000 00
Interest on Bonded Debt.	- -	98,281 00	98,281 00
Bond Retirement.	- -	160,000 00	160,000 00
Reserve for 1948 Bond Retirement.	- -	6,000 00	6,000 00
Total Fixed Charges.	- -	346,181 00	346,181 00

PLANT UNDER CONSTRUCTION

Plant Account: 232 (Capital work order for station installations).	25,144 00	5,300 00	30,444 00
Plant Account: 233 (Capital work order for drop & block wires).	21,065 00	13,021 00	34,086 00
Reserve for "outside of City" capital plant improvements and for misc. Capital purchases.	- -	54,344 00	54,344 00
Clearing Accounts.	3,924 00	5,070 00	8,994 00
Total - Plant Under Construction	50,133 00	77,735 00	127,868 00

TOTAL 1954 BUDGET. \$347,225 00 \$622,029 00 \$969,254 00

1954 WORK PROGRAM - TELEPHONE UTILITY

The accounting procedure of the Telephone Utility follows the uniform system of accounts established by the Federal Communications Commission. Items of expense are shown as total cost of labor and materials without further object classification of expenditures. There are nine general divisions of expenditures as listed in the expenditure summary.

"Maintenance Expenses" include the repair of outside plant facilities, including pole lines, aerial cable, underground cable,

buried cable, aerial wire and underground conduit. These facilities must be under a program of inspection-testing to determine the need for repairs, replacements and moving locations. Lines, whether they be in cable, open wire, or underground, must be repaired, in the event of damage by natural causes, accidental damage, or damage done as a result of malicious mischief. Right of ways must be kept clear of underbrush and overhanging tree limbs. Poles must be properly guyed, unsafe poles replaced, and hardware fittings replaced as needed. The estimates as shown for these items of expense are considered to represent a normal maintenance program, and must be adjusted in the event of unusual and extensive damage that cannot be foreseen.

A large item of the "maintenance expense" is the test desk work which originates from the central office. The budget provides for a full-time test desk operator and a half-time clerk. Complaints and reports of trouble from subscribers are received and recorded. Tests are made from the test board to determine the nature and location of the trouble and repairmen are routed to the trouble location. The test board also is the medium of testing upon completion of repairs, new connections, installations, and inside moves. Other testing facilities are used to locate cable faults and, therefore, become a part of the routine maintenance program.

"Central Office Expenses" include cleaning of central office switching equipment, performing preventative maintenance operations, testing and clearing central office failures, adjustment of relays and maintenance of power supply, disconnecting customers' lines upon termination of service, disconnecting and reconnecting customers' lines for temporary periods of non-use or for nonpayment of bills, and training employees for central office repair work.

"Repairs to Station Equipment" include testing and clearing trouble of telephone instruments and wiring for each subscriber station. Inside moves of station apparatus, relocating drop, block and inside wires, repairing exchange equipment, PBX stations and telephone pay stations are included in this expense category. Telephone instruments are repaired in our own shop.

"Repairs to Buildings" will include routine maintenance, painting of the inside office spaces and special maintenance work on the air conditioning equipment.

"Station Removals" is a specific expense of disconnecting subscriber station equipment and removal of stations due to termination of service or non-payment of bills.

Telephone plant operating expenses include "depreciation charges" against the telephone plant. This depreciation varies as to the type of asset, based upon its service life in years. For example, underground conduit and the central office building are estimated to have a life span of 75 years, central office equipment - 30 years, aerial cable - 35 years, underground cable - 50 years, subscriber station installations - 10 years, telephone sets - 15 years, vehicles and work equipment - 3 years. The \$124,530 under depreciation charges is the minimum amount that is to be spent for plant construction, or a cash reserve will be established whenever capital improvements do not equal the amount of the depreciation charge.

"Traffic Expenses" are made up primarily of operators' salaries. A small amount of money is budgeted for office supplies and cab fare for transporting operators during periods of darkness.

"Commercial Expenses" - The local commercial operations account for the biggest item of expense in this classification, including employees engaged in preparing, changing and handling contracts on service orders, and handling detailed commercial problems with customers, collecting pay station revenues, and maintaining records of customers' accounts.

"Directory Expense" provides for a directory clerk who compiles all data published in the white section of the telephone directory. The "advertising" appropriation represents cost of notices published in local newspapers as to deadline dates for directory entries, and notices pertaining to major number changes.

"General Office Salaries and Expenses" - The accounting expense represents the payment to the City Comptroller's department and the Clerk-Treasurer for the expenses incurred in billing, collecting, and maintaining the general accounts of the telephone fund. Consolidation of the various utility accounting, billing and collecting processes enable this item of expense to be lower than it would be otherwise.

"Insurance and Other Operating Expenses" include premiums paid for Workmen's Compensation, fire insurance on the telephone exchange building, rental cost for pole attachment privileges in accordance with Joint Pole Use agreements with Chugach Electric Association and Inlet Power and Light. Other operating expenses include Social Security, reserve for a telephone rate study by a qualified telephone rate analyst, and contingency fund set up for unforeseen operating expenses.

"Clearing Accounts" are those "every-day" expenses which are common to operations and capital construction alike. Because of their detailed nature and small amounts, they are consolidated and proportionately spread periodically to construction work orders. The balances are charged to operating expenses. The total clearing account expenses are estimated at \$60,369, of which \$35,557 is estimated to be charged to bond fund construction projects, and \$8,994 to current construction including \$1,343 that will be chargeable to the \$58,657 "outside of City" construction (total \$60,000).

"Other Expenses" are fixed charges. Payment in lieu of taxes are paid to the General Fund on the same basis as a private utility would be charged. The contribution to the General Fund is equivalent to a cash dividend to the taxpayers for their equity in the system. The present rate of return is less than 3%, but this rate should increase materially after the next several years, as the present potential expansion is completed and in service. Large contributions in past years have been made possible by the delayed bond retirement payments which are \$160,000 for 1954 as compared with \$60,000 in 1953. Interest charges reflect the increased costs of the 1953 sale of \$600,000 in bonds, raising interest charges from \$63,031 in 1953 to \$98,281 in 1954. The \$6,000 reserve for 1948 bond retirement is an ordinance requirement.

"Plant Under Construction" is the construction work that will be accomplished out of current revenues. These expenditures are usually confined to the short-life items such as station installations, drop and block wires, and automotive equipment. Of the \$127,868 total appropriation, \$55,687 is recommended for construction of outside plant improvements located beyond the city limits. These outside-city construction items would strengthen service in the industrial district, Romig Hill, Eastchester, Fireweed Lane area, Merrill Field to Post Road area, and other areas where minor improvements will improve the revenue structure considerably for the additional investment to be made. The "plant under construction" appropriation and expenditure should equal or exceed the "plant depreciation charges", or a depreciation reserve should be established for the difference.

TELEPHONE DEPARTMENT
 FISCAL 1954
 ORGANIZATIONAL CHART & PERSONNEL REQUIREMENTS

