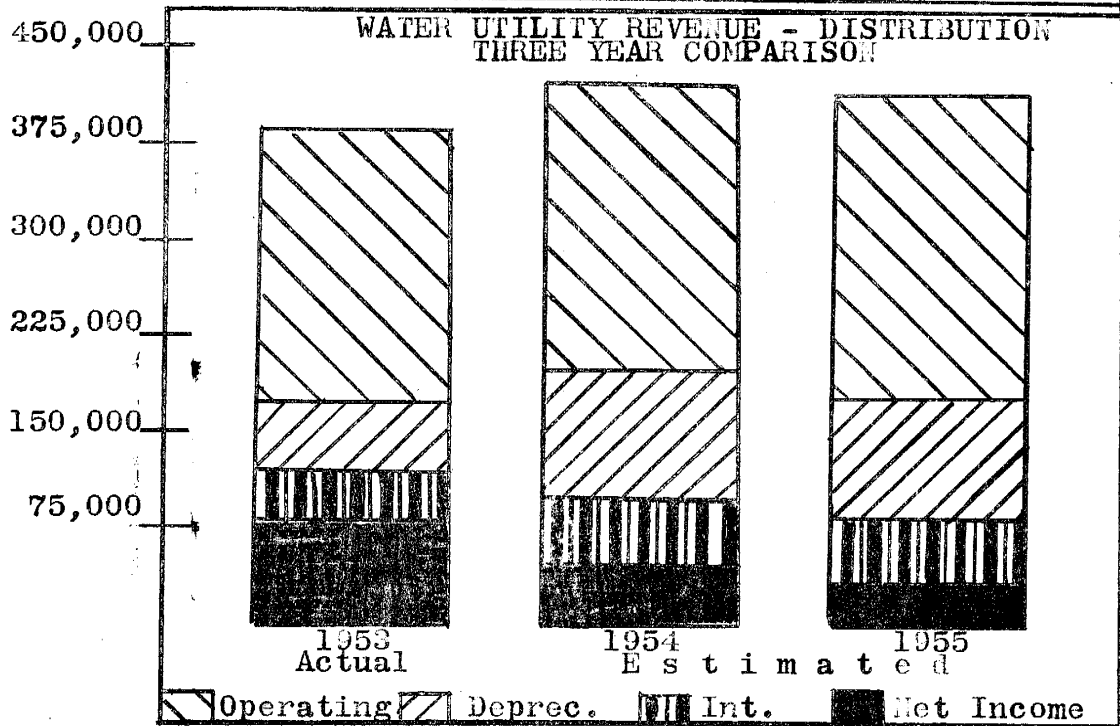
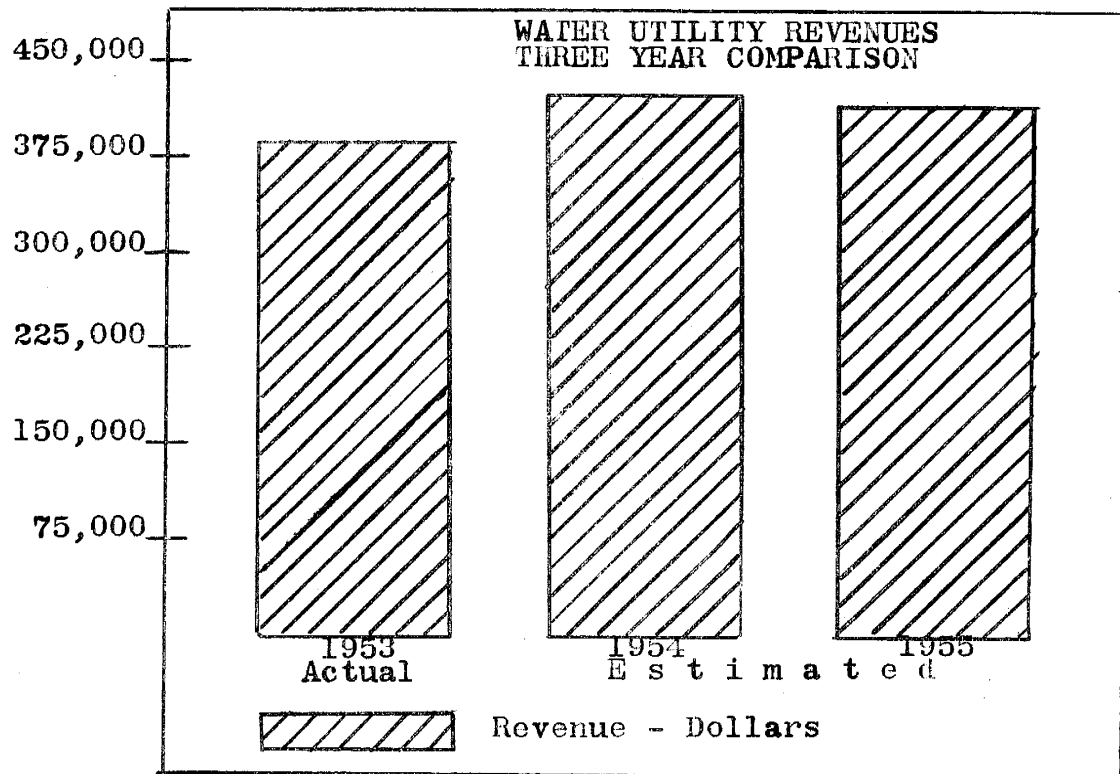


WATER UTILITY FUND BUDGET

**City of Anchorage
1955**



WATER UTILITY BUDGET

REVENUE ESTIMATES

<u>Code</u>	<u>Estimated 1954</u>	<u>Estimated 1955</u>
W 602 Flat Rate Sales	\$ 412,950	\$ 397,000
W 605 Public Fire Protection	6,600	8,850
W 607 Inter-Fund Sales	1,764	4,550
W 613 Miscellaneous Revenue	<u>1,725</u>	<u>3,840</u>
Total Service Revenue.....	423,039	414,240
Plus: Reserve for Depreciation	92,963	94,842
Contribution in Aid of		
Construction..	17,875	24,750
Cash Balance for Debt		
Requirement.....	<u>3,365</u>	<u>- -</u>
Total Revenues for Budget.....	\$ 537,242	\$ 533,832
Additional Revenue from Pro- posed Rate Increase...		<u>42,526</u>
Total Revenue.....		\$ 576,358

EXPLANATION OF WATER UTILITY REVENUE ESTIMATES:

The flat rate sales show a \$16,000 decrease in estimated revenue for 1955 under 1954. The largest factor affecting this decrease is the anticipated closure of Sacketts Harbor which used a large amount of water for its steam plant and paid approximately \$2,000 per month for the service. The anticipated revenue for 1954 was adversely affected when the housing units on the military base were activated and filled with families moving from the City to military housing not served by the City. Instead of our water accounts increasing monthly, as has been the custom in the past, the number of customers reduced from 5,766 in January to 5,633 in June. Since that time there has been a gradual increase through October to 5,842 customers. The revenue has been based on average flat rate sales to approximately 5,800 customers at existing rates.

An increase in the public fire protection revenue is the result of an increase in the number from 220 hydrants in 1954 to 295 hydrants in 1955, located within the city limits. It is to be noted that the City taxpayer is paying the Water

Department out of tax revenues for water consumed through hydrants at the rate of \$30 per year. There are some 41 hydrants in Eastchester for which the Water Department is not receiving any tax revenue. It appears reasonable that the Eastchester PUD should be requested to pay hydrant rental so that all properties in Eastchester would be contributing to fire protection instead of the few that have taken advantage of the water system and are using the City water supply. Fire protection is for the benefit of all properties and not just the water consumers. The inter-fund sales reflect a charge to the general fund for the purchase of water used in the dust control program, showing a true accounting of costs for dust control as well as paying the water department for water received.

The increased reserve for depreciation includes depreciation charges on system additions made in 1954. This charge is placed back in revenue to be used for additions to the system and for retirement of bonds. Contribution in aid of construction is a payment in lieu of assessment that is collected from applicants for new water connections and also the cost of installing the connections. It is anticipated that there will be 90 connections within the city limits which will require payment in lieu of assessment at the rate of $2\frac{1}{2}\%$ per square foot of land to be served and 60 connections in Eastchester where the payment in lieu of assessment is included in the monthly water charge.

Total revenues of \$533,832 is \$42,526 short of the requirements for the coming fiscal year. A review of the anticipated expenditures will explain the necessity for additional revenue requirements. This deficiency in revenues is the result of several factors: (1) the installation of the water distribution system in Eastchester has not been utilized by prospective consumers as much as anticipated prior to construction of the system. For example, the estimate of consumers in 1954 was 704 in the Eastchester area; the actual number using City water in Eastchester is 367. In order to meet the retirement schedule for the Eastchester water system, the water rates in those areas outside the city limits should be increased to \$7.00 until the system has reached a point where it is not subsidized by City water consumers.

In addition, it is also recommended that the City water rate be increased 50¢ per month for residential purposes and 15% for commercial purposes. This increase will not be applicable to those consumers who are now paying a \$7.00 per month water service charge. Action on the recommendation should not be delayed beyond the month of December so that the new rates, if adopted as recommended, could go into effect in February of 1955 in order to make up the \$42,000 deficiency.

The expansion of the water system into areas of the City where wells have been a source of supply has increased the costs of service per customer since all the potential customers are not now taking City water. As these numbers increase and the water system is used to its full potential capacity, then these rate increases for distribution purposes alone could be suspended. Fixed charges for amortization of APW projects will be strongly felt in 1956. Therefore, no deficiency should be allowed to accumulate in 1955 because it would mean an exorbitant rate increase in 1956.

WATER UTILITY FUND
EXPENDITURES

<u>Code</u>		<u>Estimated</u> <u>1954</u>	<u>Estimated</u> <u>1955</u>
OPERATING EXPENSES:			
<u>Source of Supply:</u>			
W 701	Supervision and Labor	\$ 8,614	\$ 8,960
W 702	Supplies and Expense	1,000	2,000
W 703	Repairs	3,562	3,500
	Total.....	<u>13,176</u>	<u>14,460</u>
<u>Pumping Expense:</u>			
W 717	Supervision and Labor	750	750
W 718	Power Purchased	750	750
W 719	Supplies and Expense	1,000	1,000
W 720	Repairs	250	2,500
	Total.....	<u>2,750</u>	<u>5,000</u>
<u>Purification Expense:</u>			
W 731	Supervision and Labor	10,605	11,300
W 732	Supplies and Expense	4,800	4,800
W 733	Repairs	400	400
W 734	Fluoridation	3,500	3,500
	Total.....	<u>19,305</u>	<u>20,000</u>
<u>Transmission & Distribution:</u>			
W 741	Supervision & Labor	32,362	32,600
W 742	Supplies and Expense	500	500
W 743	Repairs	30,259	24,600
	Total.....	<u>63,121</u>	<u>57,700</u>
<u>General Expense:</u>			
W 751	Accounting & Collection	37,646	41,750
W 764	Other General Expense	17,955	19,800
W 805	Stores Expense	9,000	9,000
W 806	Transportation	4,200	4,200
	Total.....	<u>68,801</u>	<u>74,750</u>

<u>Code</u>	<u>Estimated 1954</u>	<u>Estimated 1955</u>
<u>Other Expense:</u>		
W 241 Depreciation Reserve	\$ 92,963	\$ 94,842
W 505 Payments in Lieu of Taxes	64,187	65,652
W 521 Interest on Long-term Debt	53,419	51,394
Bond Retirements	50,000	50,000
Long-Term Contracts Payable	35,692	35,718
Bond Redemption Reserve	12,000	12,000
Total.....	<u>308,261</u>	<u>309,606</u>
Capital Expenditures.....	<u>61,828</u>	<u>94,842</u>
TOTAL BUDGET.....	<u>\$537,242</u>	<u>\$576,358</u>

Comparative Statement of Income and Expense:

	<u>Actual 1953</u>	<u>Estimated 1954</u>	<u>Estimated 1955</u>
Operating Revenues.....	\$388,224	\$423,039	\$414,240
Less:			
Operating Expenditures	213,576	231,340	237,562
Depreciation	<u>54,766</u>	<u>92,963</u>	<u>94,842</u>
Net Operating Income.....	119,882	98,736	81,836
Less: Interest Expense.....	<u>39,844</u>	<u>53,419</u>	<u>51,394</u>
Net Income.....	80,038	45,317	30,442
Add: Service Connection Charges.....	<u>31,361</u>	<u>17,875</u>	<u>24,750</u>
Net Resources.....	111,399	63,192	55,192
<u>Appropriation of Total Resources</u>			
Transfer to Gen.Fund..	6,368	-	-
City Equity Increase..	<u>105,031</u>	<u>63,192</u>	<u>55,192</u>
Totals.....	111,399	63,192	(1) 55,192

(1) See footnote-following page

Note (1) New construction is budgeted in an amount equal to the depreciation reserve. Since total amortization costs will be \$97,718, the net resources available are \$42,526 short of requirements. In the event of increasing the water rates according to recommendation, the 1955 revenue estimates and operating and net incomes would increase accordingly. The City equity account would increase sufficiently to equal the amount of bond retirement.

1955 WORK PROGRAM - WATER UTILITY

Source of Supply:

Work under this classification consists of the maintenance and operation of the intake structure and gravity water line from the intake dam to 5th Avenue and Gambell Street. The system consists of 2.8 miles of 20" steel pipe and 5.4 miles of 24" wood stave line with two pressure reducing stations. Very little trouble was encountered with the line during 1954. No trouble developed on the 20" steel line during 1954, so no attempt was made to replace the three lengths of pipe that created such great difficulty in 1953. The operation of the water well under construction by APW has not been provided in the budget. The uncertainties involved all point to a more practical approach of preparing a budget revision after more operational facts are obtained.

Pumping Expense:

This operation will be continued as an emergency operation. The plant was not used during 1954. It is necessary to heat the plant during cold weather period. No repair work was accomplished during 1954, and it is planned to do the required repair to the Alaska Railroad Plant during 1955.

Purification Expense:

Chlorination and fluoridation are combined in this operation which consists of the maintenance of equipment and the daily tests for both chlorine and fluorine. Two mechanical failures occurred during 1954 and steps have been taken

to prevent a reoccurrence of the failures. The residual recorder installation should be completed by January 1955.

Transmission and Distribution:

This account includes operation, maintenance, and repair of 60 miles of water mains, of which 52 miles are within the City and 8 miles outside of the City. There are 295 hydrants within the City and 41 outside the City which will be inspected a minimum of once a week during the freezing months and daily in the high valve area. All valves in the system are checked twice a year. 1954 proved to be a very severe year for freezing and approximately \$20,000 damage was suffered by frozen and broken mains. Part of this was caused by insufficient number of customers which reduced the flow in the mains in the Anchor Homes and Grandview Garden area. 18 blocks of wood stave line in the downtown area were replaced with cast iron pipe and lowered under APW Project 177. The completion of the wood stave pipe rehabilitation should be completed under APW Project 198 by the end of 1956.

General Expense:

(1) Accounting and collection consists of the pro-rated share (19% of utility billing and collection charges) of the Comptroller's and Clerk's offices. Included is approximately one-half the salary of a water rate adjustor, plus his transportation.

(2) Other general expense includes a portion of the costs of the Public Works Office, engineering charges, pro-rated shares of salaries of the superintendent of Public Works, timekeeper, and toolroom keeper. Social Security and Workmen's Compensation are included.

(3) Stores expense is the pro-rated share of the Purchasing and Warehousing expense.

(4) Transportation costs cover the costs of maintenance and operation of water utility vehicles.

Other Expense:

The reserve for depreciation is charged as a separate expense calculated on plant life of 35 years. Payment in lieu of taxes represents payment to the General Fund equal to the taxes that would be levied against the utility, if it were privately owned. The interest on long-term debts represents cost of money charges on the gravity water line and

three APW projects. The bond retirements represent the 1955 redemptions of the gravity water line and the long-term contracts payable which include payments to APW, Alaska Railroad, L and L Builders, Panoramic View Corporation, Hollywood Vista Corporation, 5th Avenue Development Corporation, Alaska Housing Authority (Willow Park Low Rent Housing). These agency payments are a result of the agency installing the water system, and the City agreeing to pay back a share of the cost which would represent the system's portion, if the City had installed the system. The long-term contract payables to APW will be increased in excess of \$50,000 in 1956, because payments on Projects 157 and 177 will probably start in that year instead of 1955, as was originally planned. The suggested rate increase for 1955 appears to be an absolute necessity, unless a much larger rate increase will be tolerated in 1956.

Capital Expenditures:

The capital expenditures are equivalent to the reserve for depreciation charges.

Capital expenditures are as follows in their order of priority of completion and importance.

(1) Replacing and lowering water lines under streets scheduled for paving in District 12.	\$ 7,192
(2) Same as above for District 21	1,450
(3) Same as above for District 19	10,280
(4) Same as above for District 18	950
(5) Same as above for Districts 16 & 17	11,340
(6) Replace 720 L.F of 6" wood stave pipe on "D" Street.	9,540
(7) Sand blast, clean and paint City water tank on south side of Ship Creek. Repair and reinforce for earthquake load.	17,000
(8) Pressure alarm system for tanks and pressure reducing valves.	5,000
(9) Move altitude valve on Government Hill water tank to riser pipe of tank	2,000

(10) New connections 150 @\$60.00	\$ 9,000
(11) Replace wood stave water line in the alley between "L" to "M" from the alley south of 4th Avenue to 8th Avenue.	19,200
(12) Purchase conversion units for 170 Iowa Fire Hydrants.	2,380

Other items of improvements needed were not included because of insufficient funds. In the event that some of the street paving improvement districts are not formed, the funds provided for such work may be used for some of the un-budgeted projects.

Comparative Statement of Income and Expense:

The comparative statement of 1953, 1954 and 1955 does not present a very favorable picture of Water Department earnings. The 1953 income statement shows a substantial net operating income during the 1953 and 1954 construction season. Considerable water mains were installed through Alaska Public Works thereby increasing to some extent our operating costs. Bad freezing conditions also contributed to the higher operating costs in 1954. With the amount of water main installation effected in 1953 and 1954, the increase in operating costs and charges for depreciation have been greater than the amount of increased revenue which has been received from these new installations. As explained in the revenue estimates (pages 136 to 138), the water customer potential has not even met the conservative estimates that were made at the time application was submitted for the construction of these water main projects. Even where new houses and apartment buildings connected to the system, the number of vacancies have greatly affected the revenue for 1954. Using 1954 as a basis for experience for computing the revenue estimates for 1955, taking into account the loss of water sales to Sackett's Harbor and increased operating costs for the larger system, all result in a continuing decrease in operating income. Operating income is \$38,000 less in 1955 than for 1953. In addition, the increased interest expense makes this decrease in net income equal \$50,000 less than 1953. The City equity addition in 1954 of \$63,192 should have been \$97,692. This means that the City has fallen behind \$34,500 to have had sound financing for 1954. In addition, the Water Department is making no contribution to the General Fund when it should be making an approximate 5% return on its net equity, which would represent

approximately \$30,000 per year as a contribution to the General Fund. The shortage in the equity account and contribution to General Fund means that the Water Department is short almost \$65,000 in revenues, if the City operated the water utility on the same basis as a private enterprise or with the same intent of getting a return such as is being received from the electrical utility. In 1955 this picture becomes worse, because we should increase our equity by \$97,718 and have available as a contribution to the General Fund \$35,000 or a total of \$132,718. The estimated resources available for 1955 to meet the \$132,718 requirement is only \$55,292, thereby leaving a shortage in 1955 of revenues in the amount of \$77,626. Eliminating the contribution to the General Fund for 1955, the recommended water rate increase would place the Water Department financially in the black, but still not provide any contribution to the General Fund as is now obtained from the Electrical Department.