

TELEPHONE UTILITY FUND BUDGET

**City of Anchorage, Alaska
1958**

1958 BUDGET
TELEPHONE UTILITY FUND

SUMMARY OF REVENUES

<u>Code</u>	<u>Operating Revenues</u>	<u>Estimated 1957</u>	<u>Estimated 1958</u>
T 500	Subscriber Station Revenue	\$ 1,393,489	\$ 1,543,846
T 501	Public Telephone Revenue	26,665	30,000
T 506	Other Local Service Revenue	42,000	44,000
T 510	Message Toll Revenue	67,188	82,000
T 511	Telegram Revenue	10,500	11,000
T 526	Other Operating Revenue	<u>70,672</u>	<u>98,200</u>
	Total Operating Revenue	\$ 1,610,514	\$ 1,809,046
 <u>Non-Operating Revenue</u>			
	Depreciation Reserve	\$ 241,700	\$ 253,800
	Total Non-Operating Revenue	\$ 241,700	\$ 253,800
	Total Budget Resources	\$ 1,852,214	\$ 2,062,846

EXPLANATION OF TELEPHONE UTILITY REVENUE ESTIMATES:

Operating Revenues:

Account T 500. The City of Anchorage, through its modern dial system, renders local telephone service to business and residence establishments situated within the City as well as to subscribers in the adjacent sub-urban and rural districts. Some 15,300 telephones are expected to be in service at the start of the current calendar year. Anticipated station growth forecast for 1958 indicates that an additional 1,750 telephones will be installed, thus bringing the total to 17,050 telephones, a net increase of 11.4% during the year.

Subscriber station revenues are derived principally from flat rate services and station apparatus used in the local telephone system by its subscribers. All such service and apparatus offered is comparable to that universally available throughout the industry. In addition to regular services rendered, such as individual or party line grades of business and residence classifications, subscribers also have available to them, at moderate rates, colored desk and wall telephones, loud

speaking telephones, transistorized hard of hearing instruments, code call systems, paging systems, chimes, and numerous key type telephone components and features of advanced technological design.

This important revenue source accounts for 85.3 cents of each one dollar of total operating revenue resources. Based on growth forecast, it is anticipated that total revenues for 1958 under this account may reflect an increase of as high as 10.7% over the previous year.

Account T 501. Unattended public pay telephones installed at strategic locations throughout the exchange service area serve the local telephone needs of shoppers, itinerants, visitors, and the occasional users. An average of approximately 140 pay telephones are to be operated during the year 1958 at 10 cents per local call.

Public pay station revenues are expected during 1958 to exceed the previous year's total by approximately 12.5%. Delays in shipping of a large order of pay station equipment during the year 1957 prevented the Telephone Utility from meeting its originally intended installation schedule. The in-service average number of pay stations is expected to provide sufficient and economic saturation of the exchange area with this type service during 1958.

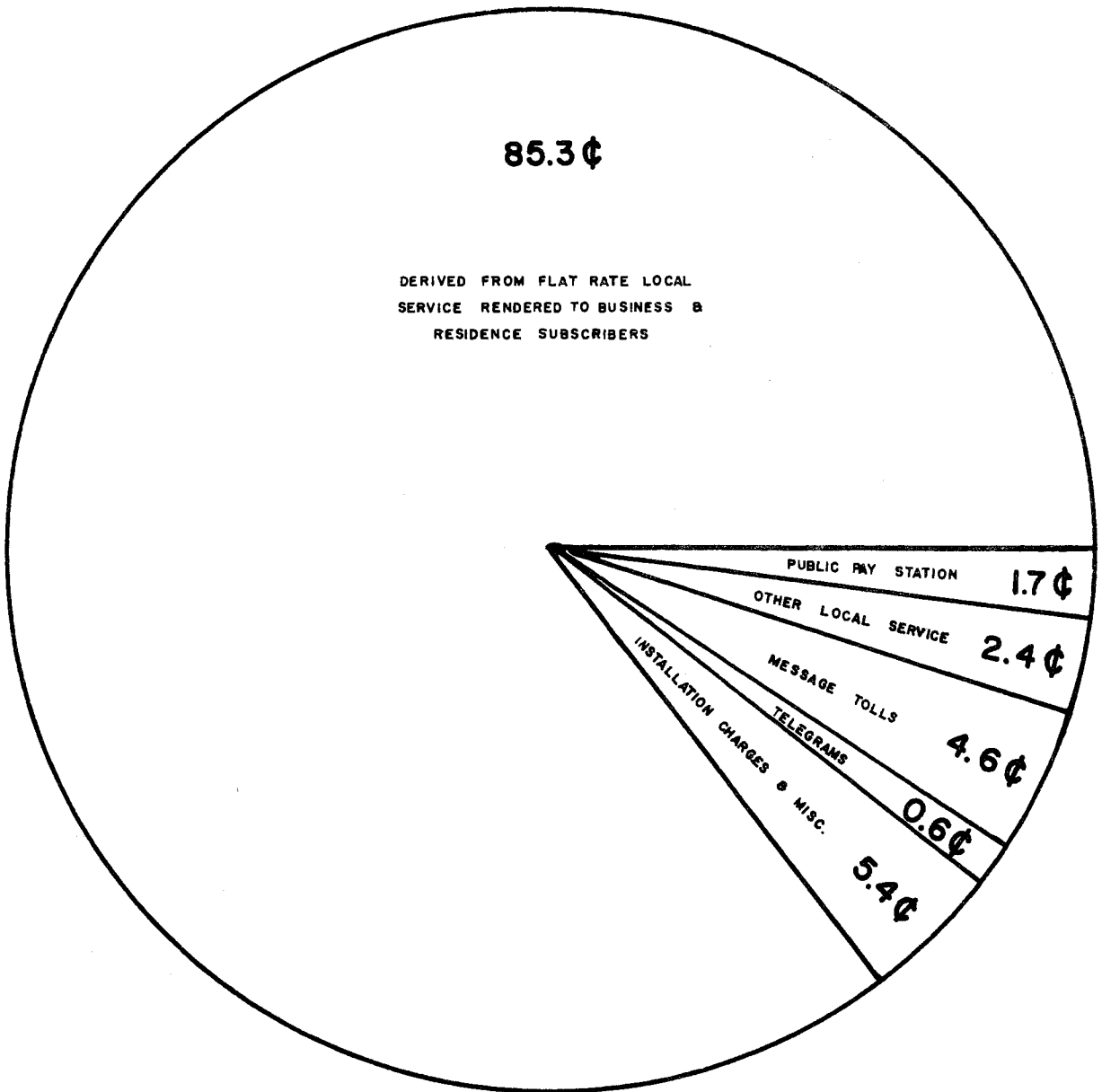
Account T 506. Other local service revenue is derived from flat rate local services and apparatus supplied to all subscribing departments of the City of Anchorage. The outdoor type pole-mounted telephone fire reporting system, miscellaneous control circuits used at the water chlorination plant, the City Hall dial PEX system, remote control circuits used in connection with area-wide civil defense siren network, and other regular type telephone components comprise the sum total of equipments and services currently in use. An estimated 4.7% increase in revenues is attributable to minor additions to present services.

Account T 510. The City's portion of message toll revenues stemming from long distance traffic is reflected in this account. Under an interconnection agreement existing between the City and the Alaska Communication System, the former accounts, bills and collects from its subscribers charges for message tolls originating paid or incoming terminating collect against City owned telephones. The City is held liable for uncollectible accounts, and does not presently receive adequate compensation commensurate with the fiscal function performed, the element of financial risk involved nor for its large capital investment in telephone plant which is totally available for toll traffic access.

In estimating revenues to be derived during 1958 from this source, the payout schedule of a new type contract recently accepted by the industry in the United States was modified and then used to develop a probably level of compensation which will accrue to the City. Through its active membership status in the Alaska Telephone Association, the City has requested through the collective action of the ATA that this new type contract be placed into effect throughout Alaska on January 1, 1958.

TELEPHONE UTILITY

OPERATING REVENUE DOLLAR RESOURCES 1958



Estimated revenues are expected to increase at least 22% more than 1957.

Account T 511. Telegram revenue represents the contractual division of tolls between the City and the Alaska Communication System for all telegrams originating paid from or terminating collect at local telephone subscribers' stations. The formula used for determining the City's share of telegram tolls is based on a flat 10% payout on the gross tolls exclusive of tax. Increasing use by telephone subscribers of telegram service is expected to result in an increase of more than 4.7% in dollar volume of business during the year 1958 over the year 1957. Telegram tolls are expected to produce approximately 0.7 cent of each revenue dollar in 1958.

Account T 526. Other operating revenue is derived from miscellaneous non-recurring service charges, equipment installation fees, interest revenue received on bank deposits of telephone utility monies, customer penalties on delinquent accounts and other minor sources of income.

The estimated income expected in this account will be an increase of over 38% above the 1957 revised budgetary estimate. Primarily responsible for this large increase is the factor of interest revenue expected to be derived from bank deposits when the \$3,000 in revenue bonds are issued early during 1958. During the early intervals of the proposed expansion program, much of this bond fund may be placed in time deposits so as to bear some interest revenue for the City.

Non-Operating Revenues:

Depreciation Reserve, in accordance with past policy and sound business principles, is budgeted as a non-operating revenue resource and is appropriated to the telephone utility plant construction account to provide for needed capital plant replacements and expansion. The estimated 1958 plant depreciation reserve represents an approximate 5% increase over the revised 1957 budgetary appropriation. Computation of this non-operating revenue resource is fully explained in the depreciation expense section of the following expenditure budget appropriation summary.

1958 BUDGET
TELEPHONE UTILITY FUND

EXPENDITURE SUMMARY

<u>Expenditure Classification</u>	<u>Estimated 1957</u>	<u>Estimated 1958</u>
Maintenance Expense	\$ 293,962	\$ 324,425
Depreciation Expense	241,700	253,800
Traffic Expense	80,615	106,046
Commercial Expense	53,104	65,305
General Office Salaries & Expense	137,768	147,678
Insurance & Other Operating Expense	55,810	60,470
Clearing Accounts	31,954	24,164
Other Expenses	677,797	827,158
Plant Construction	<u>279,504</u>	<u>253,800</u>
Grand Total Expenditures	\$ 1,852,214	\$ 2,062,846

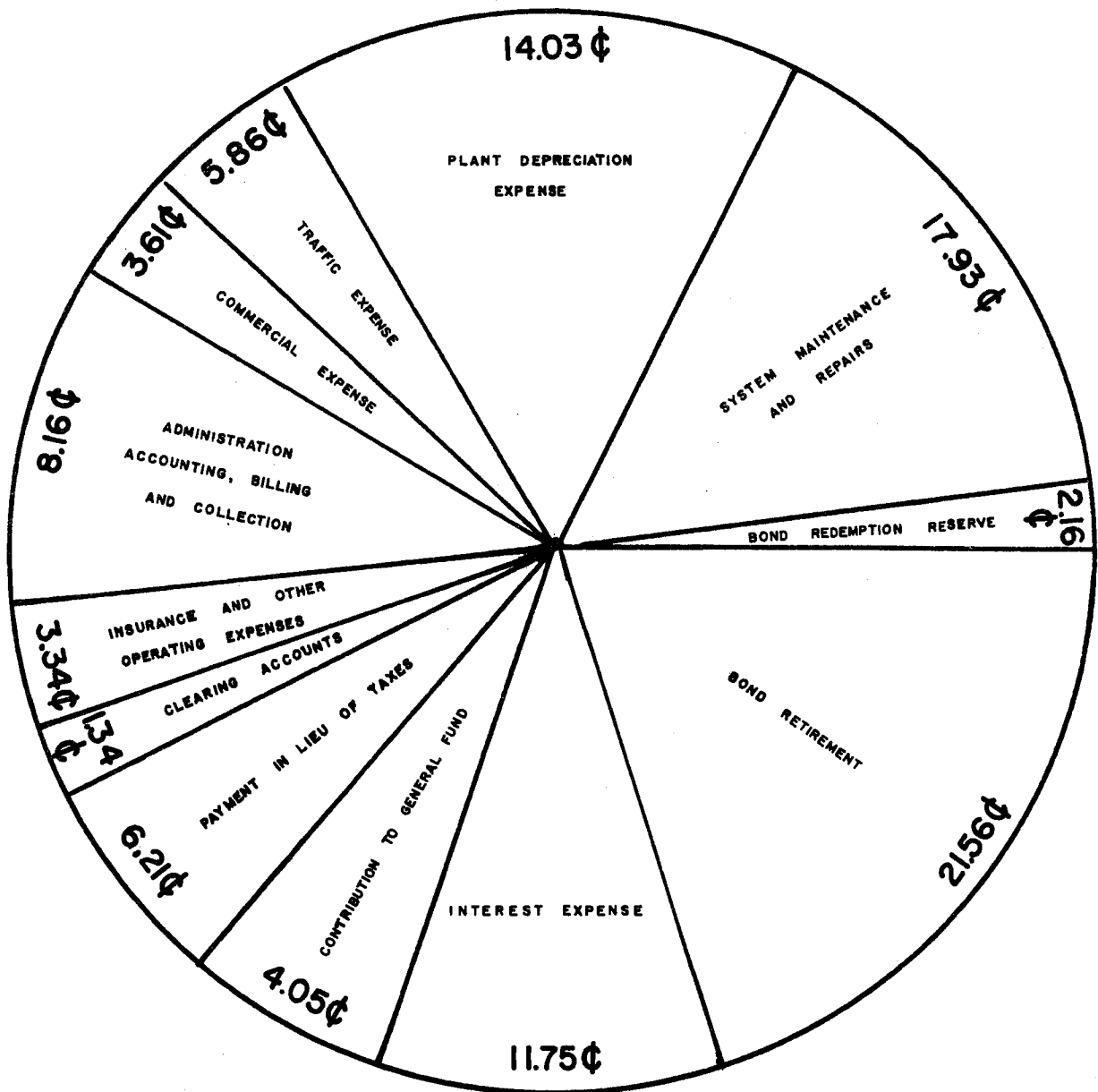
TELEPHONE UTILITY FUND BUDGET

<u>Code</u>		<u>Estimated 1957</u>	<u>Estimated 1958</u>
	<u>MAINTENANCE EXPENSE</u>		
T 602.1	Repairs to Pole Lines	\$ 10,684	\$ 11,151
T 602.2	Repairs of Aerial Cable	38,529	49,222
T 602.3	Repairs of Underground Cable	3,314	12,925
T 602.4	Repairs of Buried Cable	400	3,761
T 602.6	Repairs of Aerial Wire	1,295	2,271
T 602.7	Repairs of Underground Conduit	885	1,285
T 603	Test Desk Work	27,188	30,023
T 604	Repairs of Central Office Equipment	48,767	65,307
T 605	Repairs of Station Equipment	157,800	144,680
T 606	Repairs of Buildings and Grounds	5,100	3,800
	Total Maintenance Expense	<u>\$ 293,962</u>	<u>\$ 324,425</u>
	<u>DEPRECIATION EXPENSE</u>		
T 608	Depreciation Charges	\$ 241,700	\$ 253,800
	<u>TRAFFIC EXPENSE</u>		
T 624	Operators' Wages	\$ 80,615	\$ 106,046
	<u>COMMERCIAL EXPENSE</u>		
T 645	Local Commercial Operations	\$ 43,100	\$ 55,619
T 649	Directory Expense	10,004	9,686
	Total Commercial Expense	<u>\$ 53,104</u>	<u>\$ 65,305</u>
	<u>GENERAL OFFICE SALARIES AND EXPENSES</u>		
T 661	Executive Department	19,765	20,511
T 662	Accounting and Collecting	107,868	115,571
T 664	Law Department	10,135	11,596
	Total General Office Salaries and Expenses	<u>\$ 137,768</u>	<u>\$ 147,678</u>
	<u>INSURANCE & OTHER OPERATING EXPENSES</u>		
T 665	Uncollectible Expense	\$ 7,364	\$ 9,000
T 668	Insurance	15,000	16,250
T 671	Operating Rents	23,946	25,470
T 675	Other Operating Expense	9,500	9,750
	Total Insurance & Other Operating Expenses	<u>\$ 55,810</u>	<u>\$ 60,470</u>

	Estimated 1957	Estimated 1958	
<u>CLEARING ACCOUNTS</u>			
T 702	Work Equipment Expense	\$ 1,604	\$ 952
T 704	Supply Expense	10,317	8,008
T 706	Plant Supervision Expense	9,680	7,308
T 707	House Service Expense	10,030	7,896
T 709	National Guard Leave	323	- - -
	Total Clearing Accounts	\$ 31,954	\$ 24,164
<u>OTHER EXPENSES</u>			
	Payment to General Fund in Lieu of Taxes	\$ 91,778	\$ 112,287
	Contribution to General Fund	89,581	73,296
	Interest on Bonded Debt	151,438	212,575
	Bond Retirement	315,000	390,000
	Bond Redemption Reserve	30,000	39,000
	Total Fixed Charges	\$ 677,797	\$ 827,158
<u>PLANT UNDER CONSTRUCTION</u>			
	Construction Fund	\$ 279,504	\$ 253,800
	TOTAL 1957-58 BUDGET	\$ 1,852,214	\$ 2,062,846

TELEPHONE UTILITY

OPERATING REVENUE DOLLAR APPROPRIATIONS 1958



Comparative Statement of Income and Expense:

	Actual 1956	Estimated 1957	Estimated 1958
Operating Revenues	\$ 1,408,872	\$ 1,610,514	\$ 1,809,046
Less:			
Operating Expenditures	553,410	653,231	728,088
Depreciation	<u>224,033</u>	<u>241,700</u>	<u>253,800</u>
Net Operating Income	631,429	715,583	827,158
Less: Interest Expense	<u>170,994</u>	<u>151,438</u>	<u>212,575</u>
Net Income	\$ 460,435	\$ 564,145	\$ 614,583
<u>Appropriations of Net Income:</u>			
Transfers to General Fund	\$ 75,000	\$ 89,581	\$ 73,296
City Equity Increase	280,956	382,786	429,000
Payments in Lieu of Taxes	67,629	91,778	112,287
Reserve for Construction	20,281	- - -	- - -
Earned Surplus	<u>16,569</u>	<u>- - -</u>	<u>- - -</u>
Totals	\$ 460,435	\$ 564,145	\$ 614,583
Income Available for Interest and Bond Retirement	\$ 855,462	\$ 957,283	\$ 1,080,958
Total Requirement for Interest and Bond Retirement.	\$ 421,950	\$ 466,438	\$ 602,575
Ratio of Cash Available to Cash Required	2.0274	2.0523	1.9432

1958 WORK PROGRAM - TELEPHONE UTILITY

The City of Anchorage Telephone Utility follows the uniform system of accounts established by the Federal Communications Commission. Under the regulations promulgated by the Commission, the City owned telephone utility adheres to requirements that govern Class A operating telephone companies. The expenditure budget has been prepared following a comprehensive analysis of the system needs for plant repair, maintenance, physical plant replacement requirements, payment of interest on long term debt, bond retirement and redemption reserve requirements, and to adequately provide for other fixed charges and operating expenses. This presentation reflects cost estimates by account detail so as to permit ready comparison with appropriations authorized in the previous year's telephone utility budget.

Maintenance Expense:

In order to assure the continuation of an acceptable standard of maintenance service throughout the budget year, an appropriation of \$324,425.00 has been requested. In the following detailed presentation by maintenance

account, the specific purposes for which monies have been allocated are described completely. Of each operating revenue dollar, 17.93 cents provide for the proper maintenance and repair of a total plant in service estimated to reach \$7,731,500. The total appropriation for maintenance and repair of plant is approximately only 2/3 of the industry-wide average ratio of maintenance expenses to average gross investment in communication plant. This condition exists primarily because the ratio of depreciation reserves to gross investment in plant on the national average is approximately twice as high as within the local utility. By way of explanation, the ratio of depreciation to average gross investment in plant is approximately the same on a national basis as it is locally. The fact that over half of the City's total investment in communication plant is less than four years old indicates that it will be necessary to, in future years, appropriate a progressively increasing amount for maintenance and repair until we are within a comparable ratio range to that of the national average.

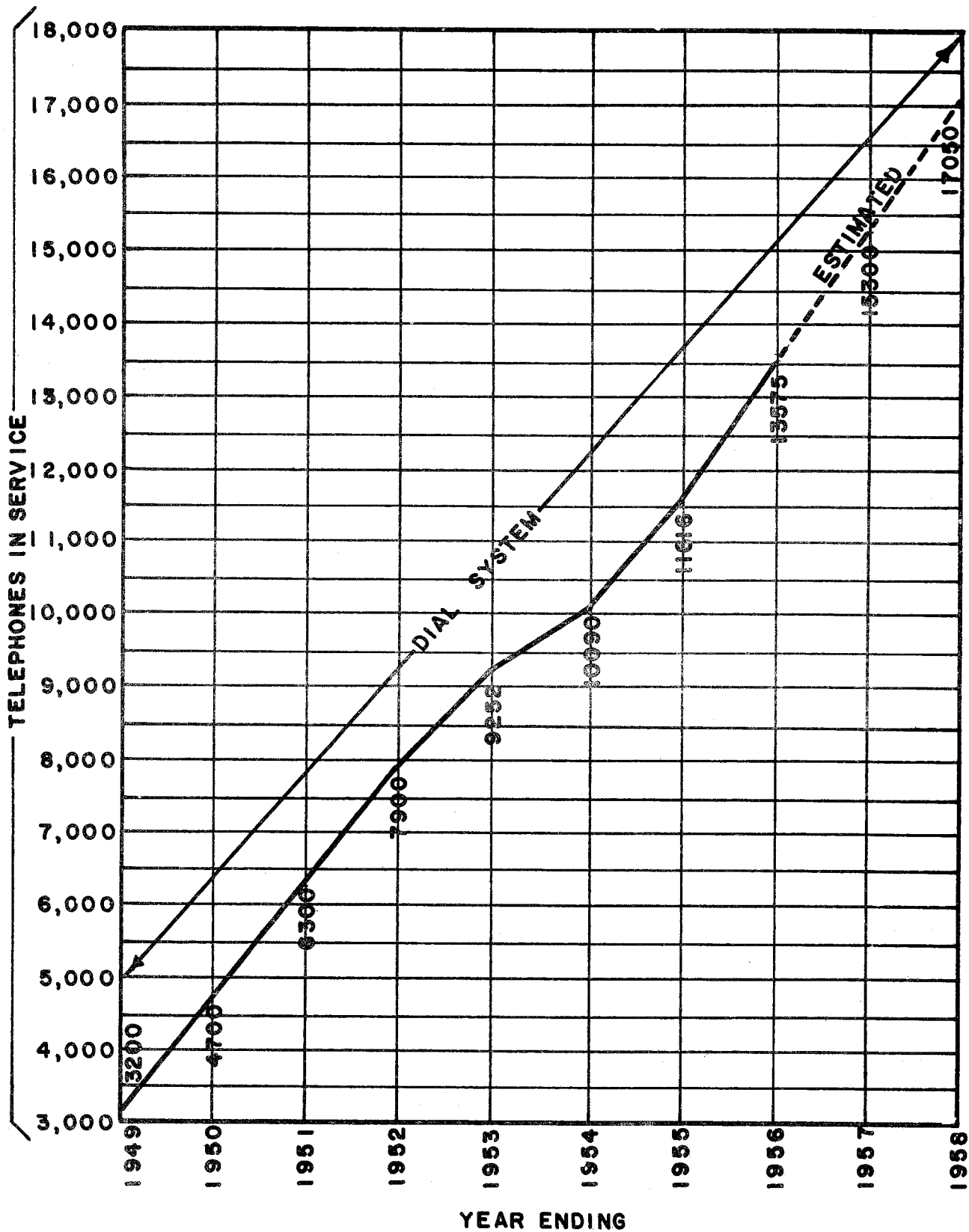
The total appropriation is distributed to five major categories of plant repair for ease in accounting. One major category is further detailed into six sub accounts so as to permit careful budget performance control.

Account T 602.1. Repairs of pole lines consist of tightening guys, correcting faulty anchor conditions affected by soil and load, replacing minor items of pole lines, restoring condition of pole lines damaged by storms or other casualties, and costs incurred as a result of pole relocations. The utility must remain constantly alert to conditions which may adversely affect telephone plant suspended on approximately 300 miles of pole lines throughout the service area. The present condition of pole line plant is essentially good. Preventative maintenance and inspection will continue to be exercised throughout the new year.

Account T 602.2. Repairs of aerial cable will require the full time effort of one cable splicing team and one-half time of a second team to properly maintain an estimated one million linear feet of lead covered feeder and distribution cable expected to be in service by the end of the year. The larger line construction crew will be used to a minor extent in relashing some cable sections and to effect cable transfers in connection with pole removal and relocation activities. The expense of restoring to working condition numerous presently defective cable pairs and other cable fault conditions sustained as a result of storms and other casualties is an ever continuing necessity. Monies are included in this expense account to provide for cable redistribution where it is required in order to satisfy constantly shifting needs of the service areas for additional plant capacity.

Account T 602.3. Repairs of underground cable are those expenses incurred with the changes of underground cable to meet the plant capacity changes being implemented through plant redistribution projects. Underground cable is contained in protective conduits beneath the streets and alleys of the central business district and is obviously subjected to fewer hazards than is aerial cable plant and, therefore, the average annual cost of corrective maintenance is proportionately lower. A limited

CITY OF ANCHORAGE TELEPHONE UTILITY



HISTORY OF TELEPHONE STATION GROWTH 1949-1958

amount of effort will be expended through the part time activities of a two man team to clear defective pairs where access is possible and the expense justified. This expense account provides for the maintenance of approximately 60,000 linear feet of underground cable plant.

Account T 602.4. Repairs of approximately 7,200 linear feet of buried cable require essentially the same functions as those devoted to maintenance of aerial and underground cable plant. Buried cable is a direct earth lay type plant and is much less protected from injury than the underground type cable plant above described. Nearly all previous maintenance experience on buried cable reveals that mechanical injury was at some time sustained by the cable, generally as a result of excavation activities carried on by others. Unless severe damage is incurred at the initial time of injury to the extent that telephone service is impaired, the injury often goes unreported and may result in a gradual deterioration which eventually is detected through subscribers' trouble complaints.

Account T 602.6. The expense of repairs to aerial wire includes such activities as replacing damaged insulators, cutting out or cutting in slack where needed, moving aerial wire in connection with pole removal and pole relocation projects, trimming trees, restoring condition of aerial wire plant damaged by storms or other casualties, rearranging wires on pins, testing for, locating, and clearing circuit trouble. Approximately 700,000 feet of aerial wire will remain in service following the retirement and removal of open wire plant sections being replaced with larger capacity cable. Higher comparative total expense is expected than was experienced during 1957 due to the planned extension of substantial segments of aerial wire plant into less readily accessible rural areas where long span construction will generally prevail.

Account T 602.7. Repairs of approximately 30,000 linear feet of underground conduit and duct banks will be limited to inspecting, draining, and cleaning periodically a number of telephone manholes. Few repairs are contemplated to be made on conduit excepting instances where excavation work by others has caused damage to underground conduit plant. In most instances encompassing plant damage by others, the City will attempt collection for repair costs.

Account T 603. Test desk work is the cost incurred by central office forces engaged in receiving and recording subscribers' trouble complaints, testing plant facilities to determine the nature and location of plant failures and service interruptions, testing with repairmen during the course of repair work, and testing with installers during the course of service rearrangement, reconnection, and installation. This vital position is staffed 6 days per week.

Account T 604. Repairs of central office equipment includes the 6 days per week maintenance of 6,000 lines of subscribers' line dial switching facilities valued at \$1,185,000. More than 60 million telephone calls will be processed during the new year based on current traffic volume and projected

telephone station gain. It is planned that during the final quarter of the new year, additional personnel will be employed to provide 24-hour maintenance on a seven days per week basis.

Account T 605. Repairs of station equipment includes both corrective and preventive maintenance functions devoted to the 17,050 telephones expected to be in service by the end of 1958. This account reflects the anticipated cost of testing, inspecting, and repairing of all subscribers' station equipment, inside wires, drop and block wires, and the maintenance of a repair shop for the rehabilitation of instruments disconnected in the field and transferred into inventory for reconditioning. Additional personnel are being provided for in order to improve the capability of the utility to respond more quickly to plant failures, service interruptions, subscriber service complaints, and to allow a greater latitude in the performance of specialized preventive maintenance functions. Station equipment repairs are scheduled as a 6 days per week activity. Under a recent change in the uniform system of accounting, such work as station reconnections and certain types of moves and changes of equipment to be charged to expense instead of the capital account.

Account T 608. Repairs to buildings and grounds includes the cost of maintaining the heating and air conditioning systems of the main telephone exchange building and the outside plant dispatching quarters located in the City Garage area. This account also provides for the maintenance of the lawn at the main office, and minor repairs and painting of the central office equipment room and other areas of the main exchange building.

Depreciation Expense: This account reflects the estimated cost of annual plant depreciation based on an approximate capital plant value of \$8,278,700 at the end of 1957. At 6 month intervals, capital plant additions upon their completion are closed into total plant and adjustments are effected correspondingly in this account.

A composite average depreciation expense ratio of 4.28% of total plant value is used. A depreciation reserve fund is shown in this budget as a non-operating revenue. This non-operating revenue item is then appropriated to the Plant Under Construction account to provide for plant replacements, retirements, and capital plant additions.

Traffic Expense: This account provides for the 24-hour operation each day of the year of such special service functions as emergency dial assistance, alphabetical, and numerical information service of subscribers' listings, intercept and referral service as a result of changed telephone numbers, receiving and recording subscribers' trouble complaints, and time information. The combined expense of operators' wages and central office stationery and printing have been consolidated into one account.

The traffic expense appropriation is sufficient to permit the operation for a full year of the additional attendant type switchboard position which is expected to be available for service by the end of 1957. The manning of this extra position during the prevailing busy period of the

business week will result in a positive improvement in the utility's capability of handling the ever increasing volume of auxiliary traffic service. This is expected to reduce the long delays now experienced in operator response to a shorter interval.

Commercial Expense: Costs of Telephone directory deadline notification through local newspaper advertisements, receiving, recording and processing of subscriber applications for service by the local commercial operations staff, the preparation of "copy" for the publication of 3 editions of the telephone directory, and the expense of collecting public pay telephone coins are provided for by the commercial expense appropriation. It is estimated that more than 23,000 service orders will be processed by the commercial operations section during the year 1958. This account also provides for the purchase during the year of 3,200 extra copies of the telephone directory, not presently available under the publishing contract, to meet the requirements of station growth.

General Office Salaries and Expenses: This account provides for the administrative cost of managing the affairs of the business, the expense incurred in accounting, billing, and collection by the staffs of the Controller and City Clerk-Treasurer, and the cost of the telephone utility's proportionate share in the City's law department.

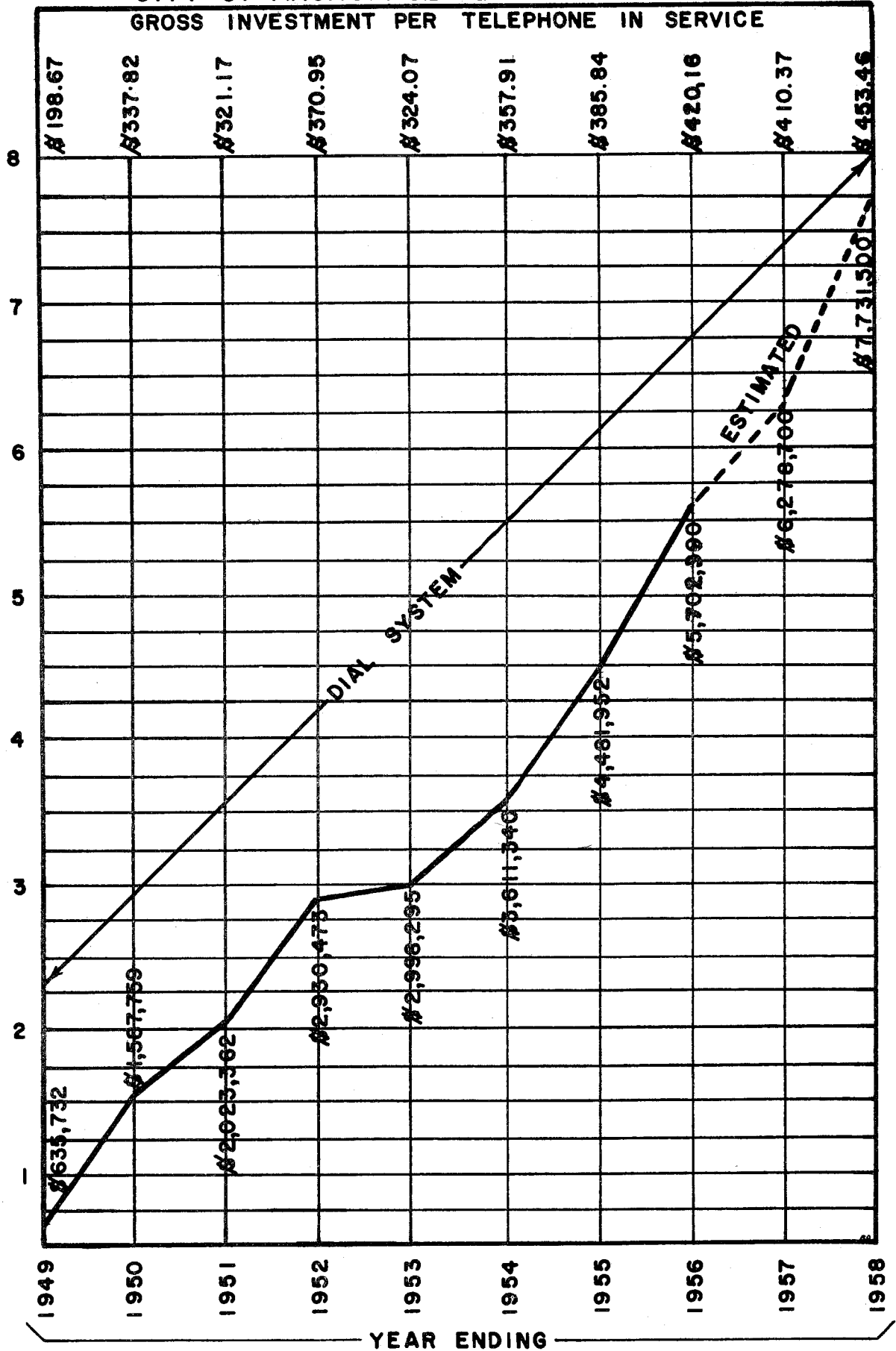
Also included in this account are funds to permit a City representative to attend the 8th annual convention during August, 1958, in Juneau, Alaska, of the Alaska Telephone Association. Explanation of appropriations for accounting, billing, and collection are reflected in the budgets of the Accounting Department and that of the City Clerk-Treasurer.

Insurance and Other Operating Expenses: A reserve fund for uncollectible expense is appropriated representing a 1/4 of 1% ratio of the estimated total gross collections under the subscribers' station, message tolls, and telegram revenue accounts. Business interruption insurance, fire insurance on the main telephone building and its equipment contents, and workmen's compensation insurance costs comprise the total estimated insurance expense for the year's system operation. Annual fees for contact privileges on 5,000 Chugach Electric Association poles and on 3,000 Municipal Light and Power Department poles, and annual charges for lease of cable pairs from other agencies and right-of-way charges are included. Social Security costs, other miscellaneous operating expenses and dues payable to the Alaska Telephone Association are budgeted for under expense account T 675.

Clearing Accounts: These accounts provide for expenditures which are proportionately distributed at the end of each six month interval to the appropriate division of expense and capital plant account affected. The 1958 work program is expected to develop work equipment, supplies, supervision and house service charges in the amount of approximately \$86,300, of which 72% will be cleared to capital plant projects, and 28% will be cleared to budgeted 1958 telephone utility expense account.

**CITY OF ANCHORAGE TELEPHONE UTILITY
GROSS INVESTMENT PER TELEPHONE IN SERVICE**

GROSS PLANT INVESTMENT IN MILLIONS



**HISTORY OF ANNUAL GROSS PLANT INVESTMENT AND
CORRESPONDING INVESTMENT PER TELEPHONE 1949-1958**

Additional partitioning in the basement spaces of the main exchange building for Assignment Bureau, and the cost of installing adequate lighting, heating, air conditioning, plumbing, and masonry work is expected to result in the expenditure of approximately \$6,600. Purchase of office furniture and equipment requirements will entail expenditures of approximately \$3,600.

The purchase and installation of a dry air type pressure equipment system for the main underground feeder cables is expected to cost approximately \$2,500. A total of \$55,246 remains available for the purchase of PBX, 1-A key equipment, and miscellaneous items of station apparatus.

Bond Fund Construction: Summary of proposed expenditures for telephone system capital plant expansion during the two (2) year period 1958-59. Proposed Resources: \$3,000,000 Telephone Revenue Bond authorization passed by the qualified electorate of the City of Anchorage during the special bond election of October 1, 1957.

<u>Project Description</u>	<u>Estimated Extended Cost</u>
Three (3) Telephone Sub-Exchange Buildings required to house additional dial central office switching equipment.	\$ 195,000
Purchase of 3,500 lines and 8,000 connector terminals of dial central office telephone switching equipment and installation thereof in the FAIRFAX-2, FEDERAL-3, and DIAMOND-4 sub-exchanges. Purchase and installation of additional dial central office telephone switching equipment and modification of the existing main exchange to be thereafter designated the CLEARBROOK exchange. Equipment to provide a universal numbering plan of 7 digits consisting of 2 letters and 5 numbers for each main station. Specifications of all equipment prepared by the City's telephone engineering consultants, the firm of Gustav Hirsch Organization, Inc. as per the latter's engineering report and recommendations dated 15 August 1957 . . .	1,305,000
Purchase of 7,000 dial telephone instruments	<u>205,000</u>
Sub-total estimated total capital cost requirement for sub-exchange buildings, purchase and installation of dial central office switching equipment, and purchase of dial telephone instruments	\$ 1,705,000
Estimated capital cost of additional outside telephone plant additions and land acquisitions required within the following listed exchange service areas:	
Clearbrook	\$ 439,159
Fairfax.	374,850

Federal 275,980
Diamond 333,220

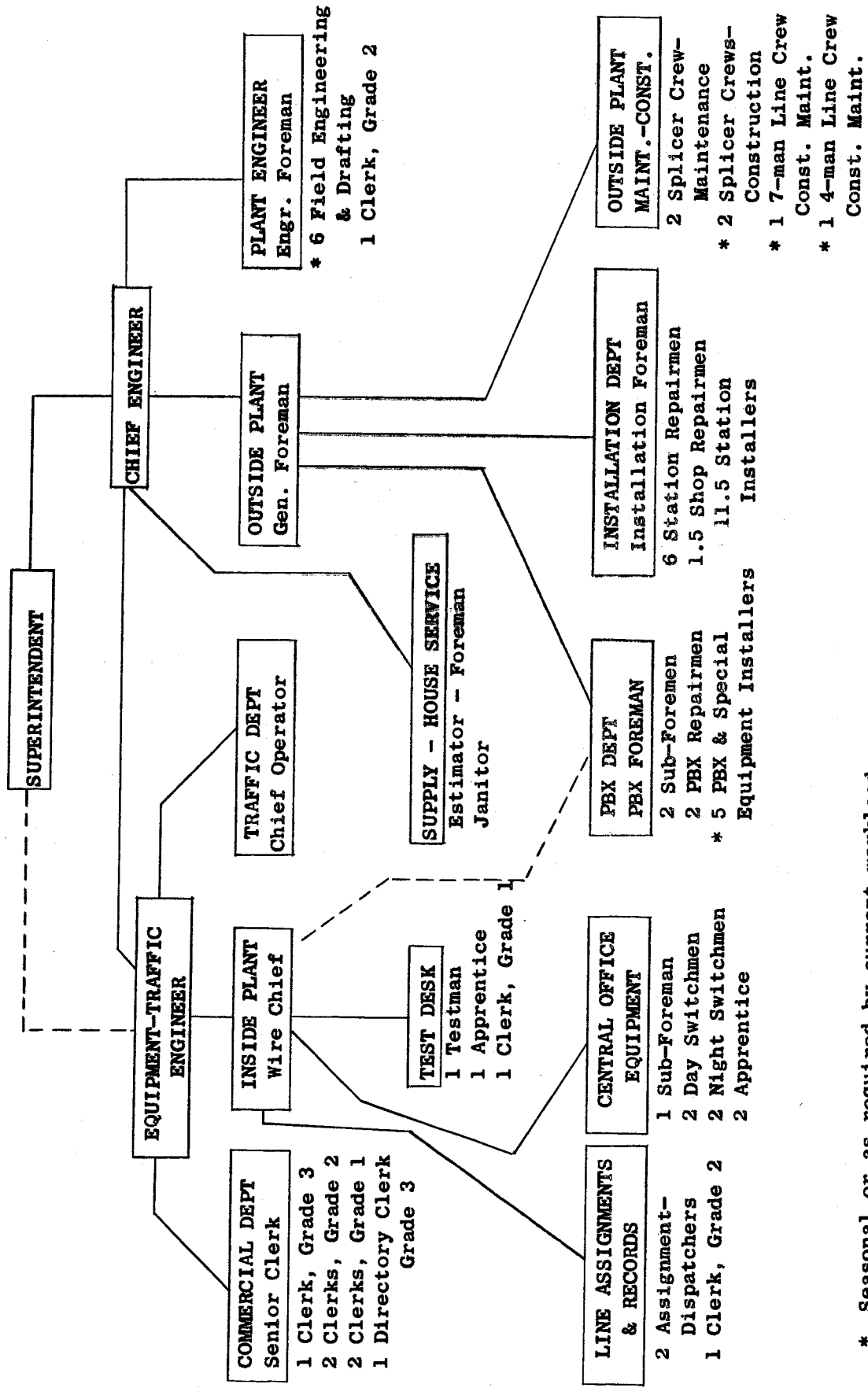
Sub-Total * \$ 1,423,219

Less: Materials and supplies presently
in inventory, paid for in full
and available for use 128,219

Sub-total estimated additional capital
requirements for outside plant facilities
and land acquisition 1,295,000

* Note: Outside plant requirements as engineered by the
telephone consulting firm of Gustav Hirsch Organization,
Inc. as per the latter's fundamental system layout plan
report and recommendations dated 8 August 1955

Grand total of estimated capital requirements for
financing the described telephone utility plant
expansion \$ 3,000,000



* Seasonal or as required by current workload