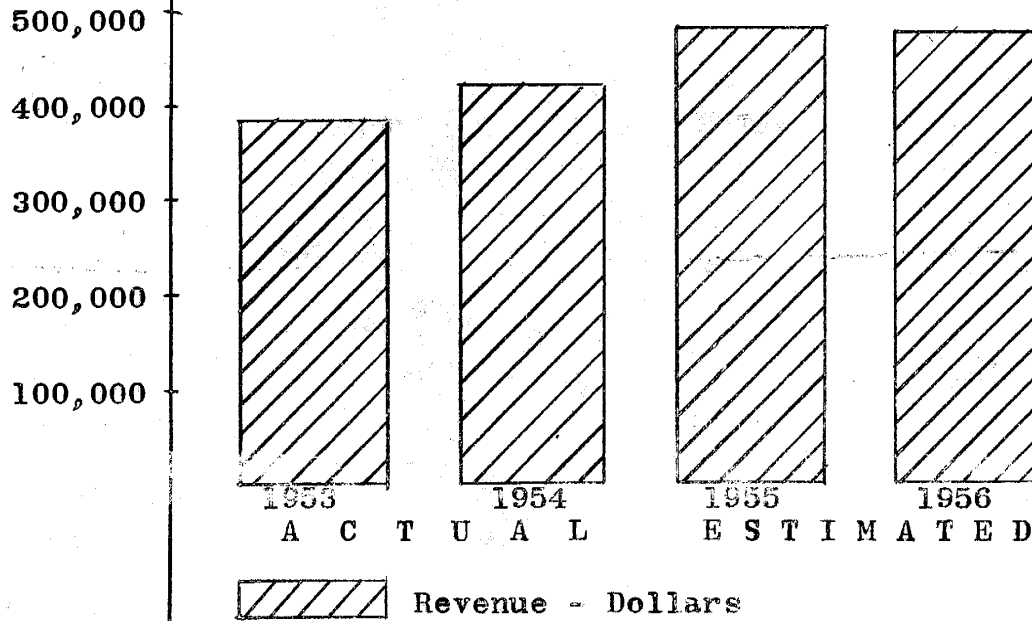


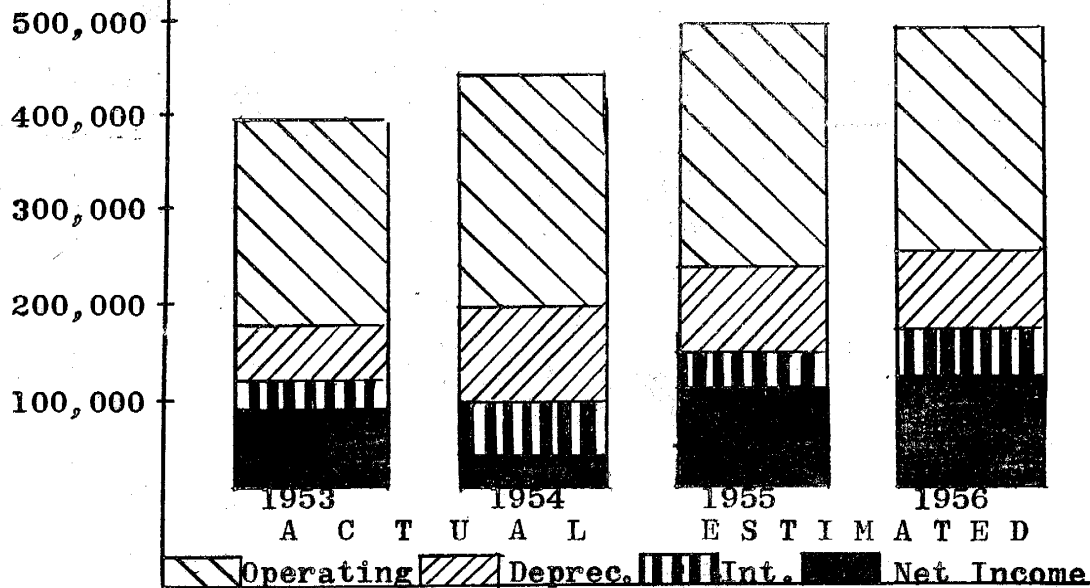
WATER UTILITY FUND BUDGET

**City of Anchorage
1956**

**WATER UTILITY REVENUES
FOUR YEAR COMPARISON**



**WATER UTILITY REVENUE DISTRIBUTION
FOUR YEAR COMPARISON**



WATER UTILITY BUDGET

REVENUE ESTIMATES

<u>Code</u>		<u>Estimated 1955</u>	<u>Estimated 1956</u>
<u>OPERATING REVENUES</u>			
W 602	Flat Rate Sales	\$ 455,928	\$ 464,819
W 605	Public Fire Protection	8,850	9,270
W 607	Inter-Fund Sales	12,450	2,507
W 613	Miscellaneous Revenue	<u>5,260</u>	<u>3,458</u>
	Total Operating Revenue.....	\$ 482,488	\$ 480,054
<u>NON-OPERATING REVENUES</u>			
W 251	Contributions in Aid of Construction	40,661	22,010
W 241	Depreciation Reserve	<u>98,842</u>	<u>77,464</u>
	Total Non-Operating Revenue..	\$ 139,503	\$ 99,474
	Total Budget Resources.....	\$ 621,991	\$ 579,528

EXPLANATION OF WATER UTILITY REVENUE ESTIMATES:

Flat rate sales were estimated to increase \$8,891 in 1956 over the 1955 estimate. This increase is largely due to increased occupancy of housing units being served by City water. The estimate is based on 5,900 customers in January, 1956, which should increase to 6,275 for the month of August and then decrease to 6,000 during December. The average revenue, per customer, after the rate increase in February, 1955, rose to \$6.35. The estimate is also based on an additional 100 new connections to be made to the City's water system during 1956. Some customers residing within the City are paying the \$7.00 monthly water service charge because no contribution in aid of construction had been made at the time of connection of service. Water revenues will be affected to a minor degree during the latter part of 1956 and to a larger degree during 1957 as these customers complete payment of their contribution, allowing their rates to drop to \$4.00 per month.

The increase in public fire protection revenue is based on the number of hydrants increasing from 295 hydrants in 1955 to 307 in 1956. No charge is made by the Water Utility on hydrants located outside the City limits. Forty-five hydrants are located in Fairview and two hydrants adjacent to the high school, for which the Water Utility receives no payment. Interfund sales show a sharp decrease, largely due to the Sacketts Harbor being lost as a water customer. The Water Utility, in addition to supporting the investment of facilities for fire protection, also furnishes water, without charge to the General Fund, for the City's dust prevention program.

Miscellaneous revenue includes penalties on delinquent accounts, plus interest on redemption reserves and security deposit bonds. Contributions in aid of construction are based on revenues received on 100 new connections, 50 estimated to be within the City limits and 50 in Fairview, for a total of \$14,750. It is also estimated that \$7,260 will be received from the School District as a connection payment for the Otis Lake School.

Depreciation reserve has been decreased as a result of a revised depreciation rate recommended by the independent auditors, and replacement of wood stave pipe in the downtown area with cast iron pipe.

For the first time in several years, the Water Fund revenues are sufficient to pay all operating expenses and debt service without drawing from depreciation reserve funds to amortize debt. Some areas served by the City Water System have not connected to the System as rapidly as originally estimated. As these potential customers connect to City service, revenues to the system will increase without a proportionate increase in operating expenditures.

**WATER UTILITY FUND
EXPENDITURES**

<u>Code</u>		<u>Estimated 1955</u>	<u>Estimated 1956</u>
<u>Source of Supply:</u>			
W 701	Supervision and Labor	\$ 8,960	\$ 8,681
W 702	Supplies	1,555	1,200
W 703	Repairs	3,500	3,500
	Total.....	<u>14,015</u>	<u>13,381</u>
<u>Pumping Expense:</u>			
W 717	Supervision and Labor	750	750
W 718	Power Purchased	940	1,200
W 719	Supplies	1,355	2,400
W 720	Repairs	2,500	-----
	Total.....	<u>5,545</u>	<u>4,350</u>
<u>Purification Expense:</u>			
W 731	Supervision and Labor	11,300	12,600
W 732	Supplies	4,800	4,800
W 733	Repairs	400	400
W 734	Flouridation	2,735	3,500
	Total.....	<u>19,235</u>	<u>21,300</u>
<u>Transmission & Distribution:</u>			
W 741	Supervision and Labor	32,600	36,216
W 742	Supplies	930	1,000
W 743	Repairs	24,600	24,766
	Total.....	<u>58,130</u>	<u>61,982</u>
<u>General Expense:</u>			
W 751	Accounting and Collection	45,950	34,952
W 752	Uncollectible Expense	-----	1,195
W 764	Other General Expense	19,800	19,923
W 805	Stores Expense	9,000	9,000
W 806	Transportation Expense	4,200	4,300
	Total.....	<u>78,950</u>	<u>69,370</u>

<u>Code</u>		<u>Estimated 1955</u>	<u>Estimated 1956</u>
<u>Other Expense:</u>			
W 241	Depreciation	\$ 94,842	\$ 77,464
W 505	Payments in Lieu of Taxes	65,652	64,992
W 521	Interest on Long Term Debt	41,862	52,465
W 210	Bond Retirement	50,000	60,000
W 113.12	Bond Retirement Reserve	15,003	13,836
W 232	Long Term Contracts Payable	83,915	54,924
	Contribution to Gen.Fund	-----	8,000
	Total.....	<u>351,274</u>	<u>331,681</u>
	Capital Expenditures	94,842	77,464
	Total.....	<u>\$ 621,991</u>	<u>\$ 579,528</u>

Comparative Statement of Income and Expense:

	<u>Actual 1954</u>	<u>Estimated 1955</u>	<u>Estimated 1956</u>
Operating Revenue	\$ 426,886	\$ 482,488	\$ 480,054
Less: Operating Expend.	241,872	241,527	235,375
Depreciation	93,432	94,842	77,464
Net Operating Income	91,582	146,119	167,215
Less: Interest Expense	37,969	41,862	52,465
Net Income	53,613	104,257	114,750
Add: Service Connection Chgs.	13,191	40,661	22,010
Net Resources	66,804	144,918	136,760

Appropriation of Total Resources

Transfers to General Fund			8,000
City Equity Increase	66,804	144,918	128,760
Totals.	\$ 66,804	\$ 144,918	\$ 136,760

1956 WORK PROGRAM - WATER UTILITY

Source of Supply:

Work under this account consists of operation, maintenance, and repair of the gravity water line from the Ship Creek Intake to 5th and Gambell. There are 28 miles of 20" steel line and 5.4 miles of 24" wood stave line with two

pressure reducing stations in the system. The operation during 1955 was very good with no interruption of service and very little maintenance and repair. The removal of Sackett's Harbor from the distribution system with its intermittent draw of water has evened out the flow over the day and the supply line is operating much better. As consumption increases and approaches the capacity of the 12" reducing valves, the operation should become better. The funds allocated for this account are used in furnishing daily inspection of the line and all facilities. The repairs account fluctuates but should gradually decrease for the next few years. A well was developed with a capacity of 2000 g.p.m. but will not be available as a source of supply until the fall of 1956. It is planned to drill three additional wells in the near future but this will depend upon availability of A. P. W. funds.

Pumping Expense:

It is planned to use the well near Merrill Field during the month of December and 4 or 5 months in 1957 for the purpose of introducing warmer water into the system. The Alaska Railroad pump plant will be used as emergency standby. It is planned to abandon the City Pump Plant when the well is operational to offset the emergency capacity of the City pump plant. The City pump plant was damaged by fire during 1955 but no repairs were made as we would use this plant only under extreme emergency. The ARR Plant will be heated during the winter months. There were no pumping operations during 1955.

Purification Expense:

The maintenance of equipment and daily checks of the chlorination and fluoridation of the water supply is carried out by two men working approximately $\frac{1}{2}$ day and another man taking samples 3 days per week. Very little trouble was encountered with the chlorination system during 1955. One mechanical failure occurred with the fluoridation control equipment. This was brought about by the action of chlorine on an electric motor. The cabinet containing the electric motor has been sealed and this failure should not re-occur. Considerable difficulty was encountered obtaining replacements and spare parts for the equipment but this has been corrected.

The residual recorder was placed in operation on April 20, 1955, but the signal alarm system to the Telephone Building has not been completed because of the lack of telephone cable pairs. The residual recorder had 3 minor mechanical failures which were corrected immediately.

No changes in operation of the purification plant are planned for 1955. It may be necessary to install purification equipment at the well site.

Transmission & Distribution:

There are 61 miles of water mains and 310 fire hydrants in the water system which have to be maintained and repaired under this account. Very little trouble was experienced during 1955 which was the result of a warm winter with very little freezing and the wood stave line replacement. By the end of the 1956 construction season nearly all wood stave distribution lines will have been replaced and maintenance should be further reduced. The freezing problems will also be reduced in 1957 by the pumping of the warmer water from the well at Merrill Field. If the City is able to produce a well where the water can be introduced into the gravity line, freezing conditions should be further reduced. Fifteen new hydrants and approximately one mile of distribution lines were installed during 1955. Alaska Public Works contract 198 was started and three blocks of wood stave line were replaced during 1955.

Hydrants will be checked and serviced once a week in residential areas and daily in the business or high insurance value area. All valves are checked twice a year. Approximately 160 new water services were connected during 1955 and it is expected that there will be 100 during 1956.

General Expense:

(1) Accounting and collection expense consists of the pro-rated share of the utility billing and collection charges of the Comptroller's and Clerk-Treasurer's offices. These charges have been reduced for 1956 as time spent in billing water accounts is less than the time necessary to bill telephone and electric accounts. Consideration has also been given that if water and garbage service only were furnished by the City, a bi-monthly or quarterly billing schedule would be followed. Also included is one-half of the salary of a water rate adjuster, plus his transportation costs.

(2) Uncollectible expense is estimated at 1/4 of 1% estimated losses from water billings. Other general expense includes a portion of the costs of the Public Works office, engineering charges and portions of the salaries of the Superintendent of Public Works, timekeeper and a tool-room keeper.

A portion of the costs of the City Attorney's office is charged to this account. Social Security and Workmen's Compensation expenses are also included in this account.

(3) Stores expense is the pro-rated share of purchasing and warehouse expense, plus rental charges on the warehouse building.

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

Stores and transportation costs are clearing accounts which are partially pro-rated as part of the costs of various construction projects.

Other Expense:

(1) Depreciation is charged as an operating expense account and due to rehabilitation of various wooden stave water lines and the change in the depreciation rate on transit pipe, as recommended by the auditors, this expenditure has been decreased from the 1955 budget.

(2) Payment in lieu of tax represents the Water Utility's payment to General Fund equal to the taxes that would be levied against the utility if it were privately owned.

(3) Interest expense in the Water Utility represents the interest expense during 1956 on the gravity water line and various A.P.W. projects. Substantial increase shown in this account reflects the final transfer of three A.P.W. projects during 1955.

(4) The bond retirements represent the 1956 redemptions of the gravity water line. Bond retirement reserves are redemption reserves required on the gravity water line and certain A.P.W. projects. Long term contracts payable represent payments of \$41,000 due the U.S. Government on A.P.W. projects and contract payments to L & L Builders, Hollywood Vista Corporation and Fifth Avenue Development Corporation. The contracts with the private corporations are a result of these firms installing the water system, and the City agreeing to repay the share of the costs representing the normal costs of installation assumed by the City on water main installation.

(5) The contribution to the General Fund represents an approximate 1% rate of the City's equity in the Water Utility.

Capital Expenditures:

Capital expenditures, as provided for in this budget estimate, are equivalent to the reserve for depreciation charges. Because of the uncertainties of APW appropriations

for Water Department expansion, there is no list proposed for improvements at this time. Some of the items for which these capital funds can be used are as follows:

(1) Purchase and installation of pump equipment and piping to activate the new water well located on 15th Avenue that is in process of being completed.

(2) Extensions of water mains in the Mountain View area, Eastchester Flats and Westchester will be proposed on the basis of petition to determine the street or streets where the biggest demand for water extensions exists. A comparatively small amount of funds are available to service all the areas. Should APW funds be forthcoming to take care of the needs in one of these specific areas, then the current funds in this budget could be shifted to the other areas where APW funds have not been provided.

(3) There are requests for small water extensions to provide fire protection for industrial installations inside the city limits which do not now have fire protection.

(4) Water extensions into the new development in Merrill Field are also requested to provide fire protection.

Because of the numerous requests and the small amount of money, and the other uncertainties involved, no specific list of priorities is presented as a work program. Therefore, before installation of any project is undertaken, the City Council will have to determine priority for installation when the plans for the above improvements become more firm.

Comparative Statement of Income and Expense:

The comparative operating statement for the water utility for the last three years shows an improvement in financial condition of this utility. The three year comparison presented in the 1955 budget presented a very unfavorable condition of the Water Department at that time. Based upon the facts in the 1955 budget, water rates were increased and the effect of this increase, plus the increase in the number of customers during 1955, has placed the Water Department's financial position on a sound basis. All of the depreciation reserve for 1955 is being set aside for capital improvements. Sufficient operating income is still available to pay the outstanding debt and interest charges and still leave approximately 1% of the City's equity as a contribution to the general fund and increase our equity account the equivalent of payment of bond principal and construction contract payments. This condition did not exist in 1954 and 1955. For the first time in several years the Water Department budget is presented

in a balanced condition with no subtractions being made from the City's equity in order to meet the annual bond retirement schedules. Several APW projects have been completed and will be transferred to the City, which means that increased debt charges will be imposed on future budgets. With our present rate structure and number of customers, it appears that the Water Department will not be slipping back into the unfavorable financial picture that existed in 1953, 1954 and 1955. New extensions to the water system should be analyzed as to feasibility insofar as income, expense, and bond retirements are concerned, because they should carry their own financial requirements rather than placing undue financial burdens on existing water consumers.