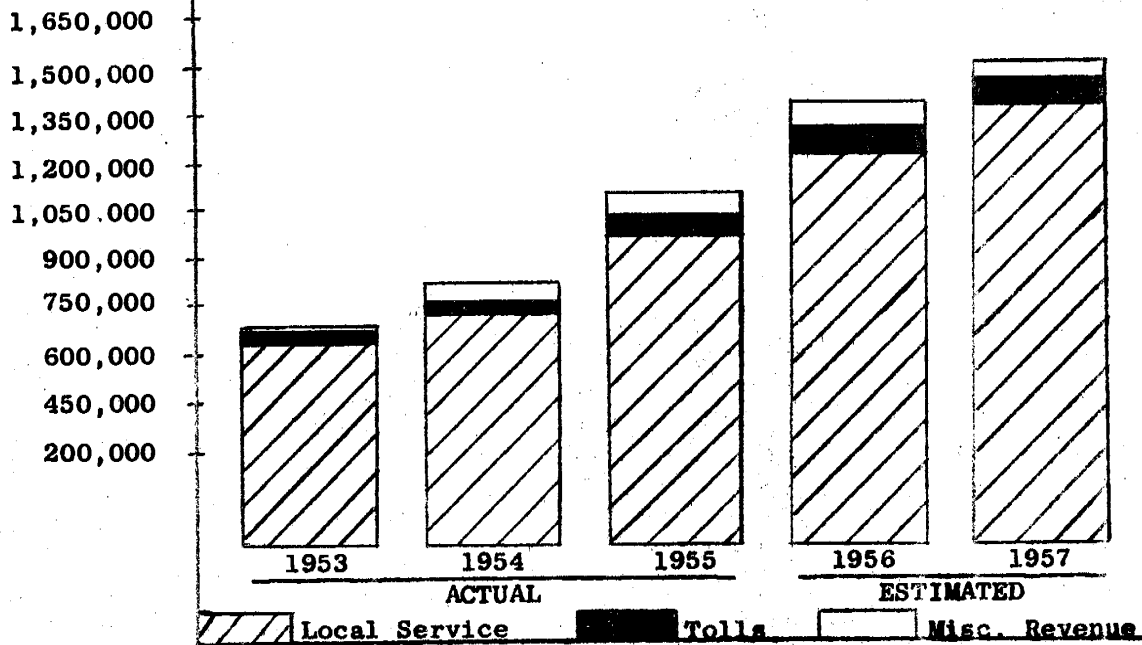


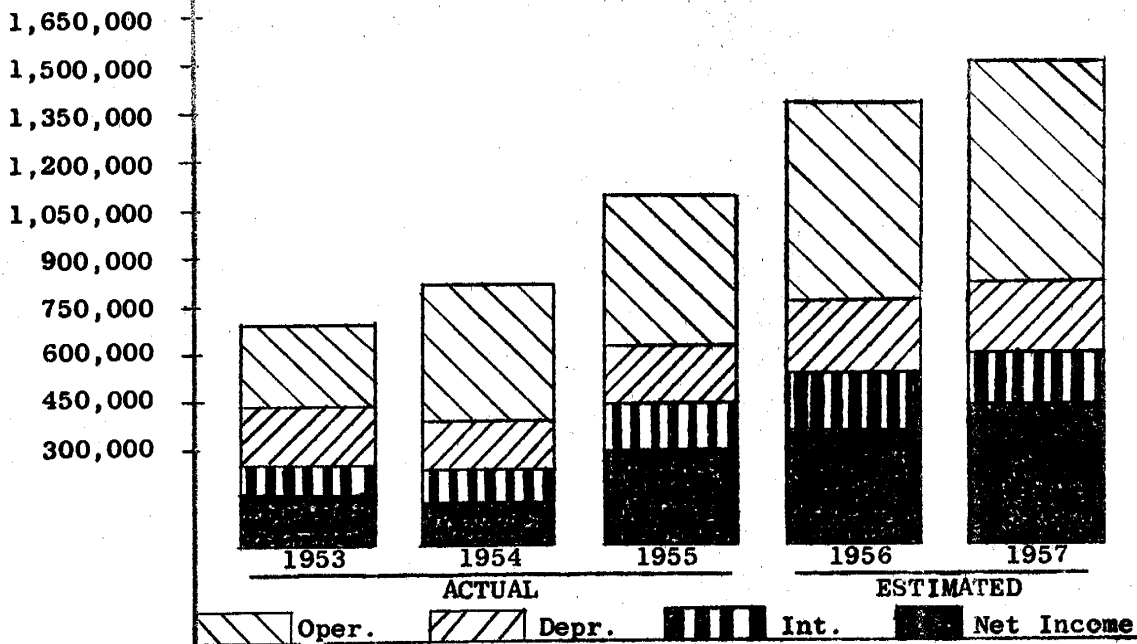
**TELEPHONE UTILITY FUND BUDGET**

**City of Anchorage  
1957**

**TELEPHONE UTILITY OPERATING REVENUES  
FIVE YEAR COMPARISON**



**TELEPHONE UTILITY OPERATING REVENUE DISTRIBUTION  
FIVE YEAR COMPARISON**



1957 BUDGET  
TELEPHONE UTILITY FUND

SUMMARY OF REVENUES

<u>Code</u>	<u>Operating Revenues</u>	<u>Estimated 1956</u>	<u>Estimated 1957</u>
T 500	Subscriber Station Revenue	\$ 1,189,704	\$ 1,304,006
T 501	Public Telephone Revenue	22,950	26,665
T 506	Other Local Service Revenue	38,900	42,400
T 510	Message Toll Revenue	56,500	62,654
T 511	Telegram Revenue	8,650	10,087
T 526	Other Operating Revenue	<u>62,308</u>	<u>60,570</u>
	Total Operating Revenue	\$ 1,379,012	\$ 1,506,382
	<u>Non-Operating Revenue</u>		
	Depreciation Reserve	\$ <u>221,883</u>	\$ <u>228,856</u>
	Total Non-Operating Revenue	\$ <u>221,883</u>	\$ <u>228,856</u>
	Total Budget Resources . . . . .	\$ 1,600,895	\$ 1,735,238

EXPLANATION OF TELEPHONE UTILITY REVENUE ESTIMATES:

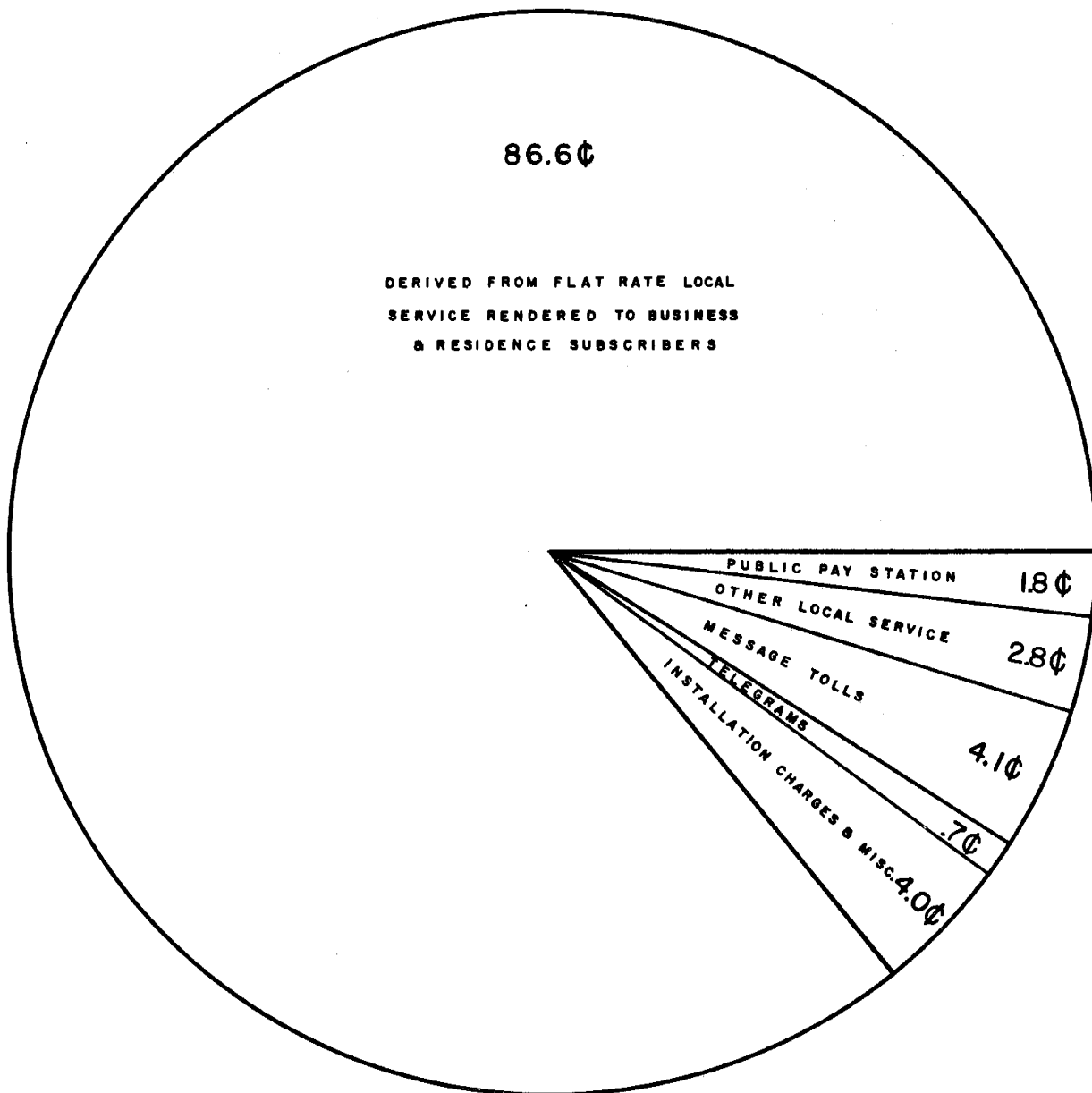
Operating Revenues:

Account T 500. Flat rate local telephone services are conservatively estimated to increase to approximately 15,000 by the end of the year 1957, a net gain of 1,500 telephones over the 1956 calendar year. This large increase will be possible because limited multi-party rural line facilities are planned to be extended beyond the 5.8 mile radius during the new budget year.

The subscribers' station revenues are derived principally from one, two, five, and ten party grades of main station business and residential telephone service. Considerable revenue is also obtained from special service offerings including inside and off premises extension stations, bells and buzzers, inside and outside line extension ringers, jacks and plugs, visual signals, intercom lines, line holding features, key pick-up type instruments, automatic direct private line facilities, tie trunks, both cord and cordless

# TELEPHONE UTILITY

## OPERATING REVENUE DOLLAR RESOURCES—1957



types of private branch exchange switchboards, dial type private branch exchange switchboards, and other miscellaneous types of special convenience systems. Substantial revenues are derived also from rentals of cable pairs on which charges are based on circuit route measurement. Charges for residence and business joint user service and for extra listings in the telephone directory are credited to this revenue account.

City Council authorization will be sought for the offering of additional special service including colored telephone instruments, loud speaking type telephone instruments, and voice frequency repeaters. Other equipment items may from time to time be developed by the telephone industry which will prove useful and desirable in the Anchorage area and will be brought to the attention of the City Council as the need arises.

Subscribers' station revenues estimated for the year 1957 represents an increase over the revised 1956 budget estimate of approximately 9.5%. Of the total 1957 telephone utility operating revenue resources, this important account represents 86.6 cents of each dollar of gross income received by the telephone utility for services rendered.

Account T 501. All local service revenue derived from public paystation service is credited to this account. Unattended public pay telephones are installed in readily accessible locations primarily throughout the business areas of the community for the benefit and convenience of the public at large. Some 75 such stations are planned to be in service by the end of 1956 with proposed installation of 45 additional paystation telephones by the end of 1957.

Calls originating or terminating in public telephones are limited to the exchange service area and access to nearby military establishments at the rate of 10 cents per call. Long distance calls are not accepted from public telephones due to the lack of a sufficient economical volume of such traffic and the therefore consequent prohibitive unit cost of installing suitable operator controlled coin collect and coin return equipment.

This revenue account estimate for the year 1957 represents an increase of approximately 19.5% over the revised 1956 budgetary estimate. Nearly 1.8 cents of each dollar of estimated operating revenue is expected to be produced from public telephone service in 1957.

Account T 506. Other local service revenue represents monies obtained from other municipal departments for telephone services. Special installations of convenience type systems, one large dial type private branch exchange, cable pair rentals, miscellaneous auxiliary facilities, and a special telephone type fire reporting system in addition to other standard telephone services rendered comprises the bulk of the estimated revenues to be obtained under this account.

Another source of revenue credited to this account consists of cable pair rental for the remote control of the community's existing 19 Civil Defense warning sirens. An additional 10 sirens are scheduled to be added to this network during the year 1957. The City's general fund can expect to recover a substantial portion of the expense of siren control cable rental charges from the Federal Civil Defense Administration.

This revenue account estimate represents an increase of approximately 8.4% over the revised 1956 budgetary estimate and will produce nearly 2.8 cents of each dollar of estimated gross operating revenue expected to be derived during the year 1957.

Account T 510. Message toll revenue is the amount received by the City through the division of tolls under agreement with the Alaska Communication System derived from long distance transmission of voice messages either originating paid or incoming collect when the use of the City's telephone plant facilities is involved. Important considerations affecting the revenue expected to be received during the year 1957 by the City from message tolls includes such factors as: the economic level of activity of the trading area; the increase in total number of local telephones in service; improving capabilities of long lines carrier to more adequately handle anticipated volume of message tolls through the activation of more and better quality long distance circuits; the maintenance of a rate climate favorable to a higher unit traffic volume inducement; and, the relationship of the short-haul traffic pattern to the total message toll traffic volume.

One of the prime objectives of the Alaska Telephone Association, of which this City is a member, is to complete a comprehensive examination of the present payout formula under the standard interconnection agreement format used by the A.C.S. and the various local connecting telephone entities. Results of this study are intended to enable the Association to compile factual evidence of past performance, current experience, and to provide a well founded basis for predicting future trends with respect to the adequacy or insufficiency of the existing message toll payout formula. Future negotiations with A.C.S. should therefore be governed by the availability of factual statistics based on cost separation studies of message toll experience in the Territory.

It is conservatively estimated that an approximate increase of 10% in message toll revenues over the revised 1956 budgetary total will be realized accounting for nearly 4.1 cents of each operating revenue dollar.

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 far more favorable to the City than the method presently used in computing payout for message tolls inasmuch as the former 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 14% in dollar volume of business during the year 1957 over the revised budgetary estimate for the year 1956. Telegram tolls are expected to produce approximately 0.7 cents of each revenue dollar in 1957.

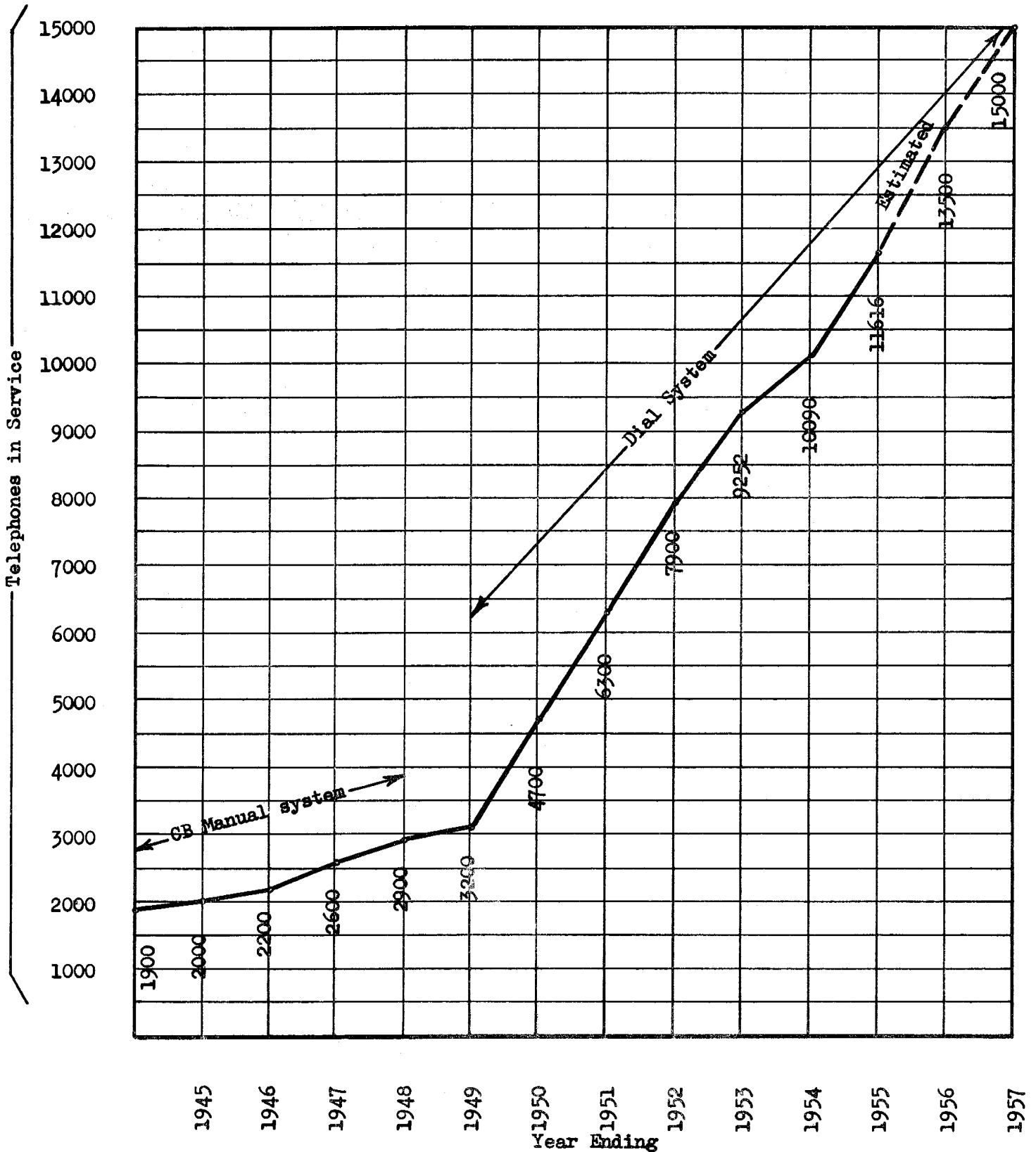
Account T 526. Other operating revenue is derived from miscellaneous non-recurring service charges, equipment installation fees, interest revenue received on bank deposits of telephone utility monies, customer penalties on delinquent accounts, and other minor sources of income which because of its miscellaneous nature cannot appropriately be credited to any of the remaining operating revenue accounts.

The estimated income expected to be realized in this account during the new year reflects an approximate 2.7% decrease below the revised 1956 budgetary estimate. The substantial amounts of bond fund monies deposited in local banks have been progressively diminished as the telephone utility plant expansion program became accelerated. Therefore, the interest revenue on such bank deposits will diminish in 1957, although the other revenue producing factors affecting this particular account are expected to reach the same average proportions as is estimated for the year 1956. 4.0 cents of each operating revenue dollar is expected to be realized through this account.

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 1957 plant depreciation reserve represents an approximate 3.1% increase over the revised 1956 budgetary appropriation. Computation of this non-operating revenue resource is fully explained in the depreciation expense section of the following expenditure budget appropriation summary.

# CITY OF ANCHORAGE TELEPHONE UTILITY



History of Telephone Station Growth 1944-1957



1957 BUDGET  
TELEPHONE UTILITY FUND

EXPENDITURE SUMMARY

<u>Expenditure Classification</u>	<u>Estimated 1956</u>	<u>Estimated 1957</u>
Maintenance Expense	\$ 206,659	\$ 231,238
Depreciation Expense	221,883	228,856
Traffic Expense	71,872	86,877
Commercial Expense	45,170	48,725
General Office Salaries & Expense	139,460	149,730
Insurance & Other Operating Expense	48,137	52,809
Clearing Accounts	35,208	30,350
Other Expenses	610,623	677,797
Plant Construction	<u>221,883</u>	<u>228,856</u>
Grand Total Expenditures	\$ 1,600,895	\$ 1,735,238

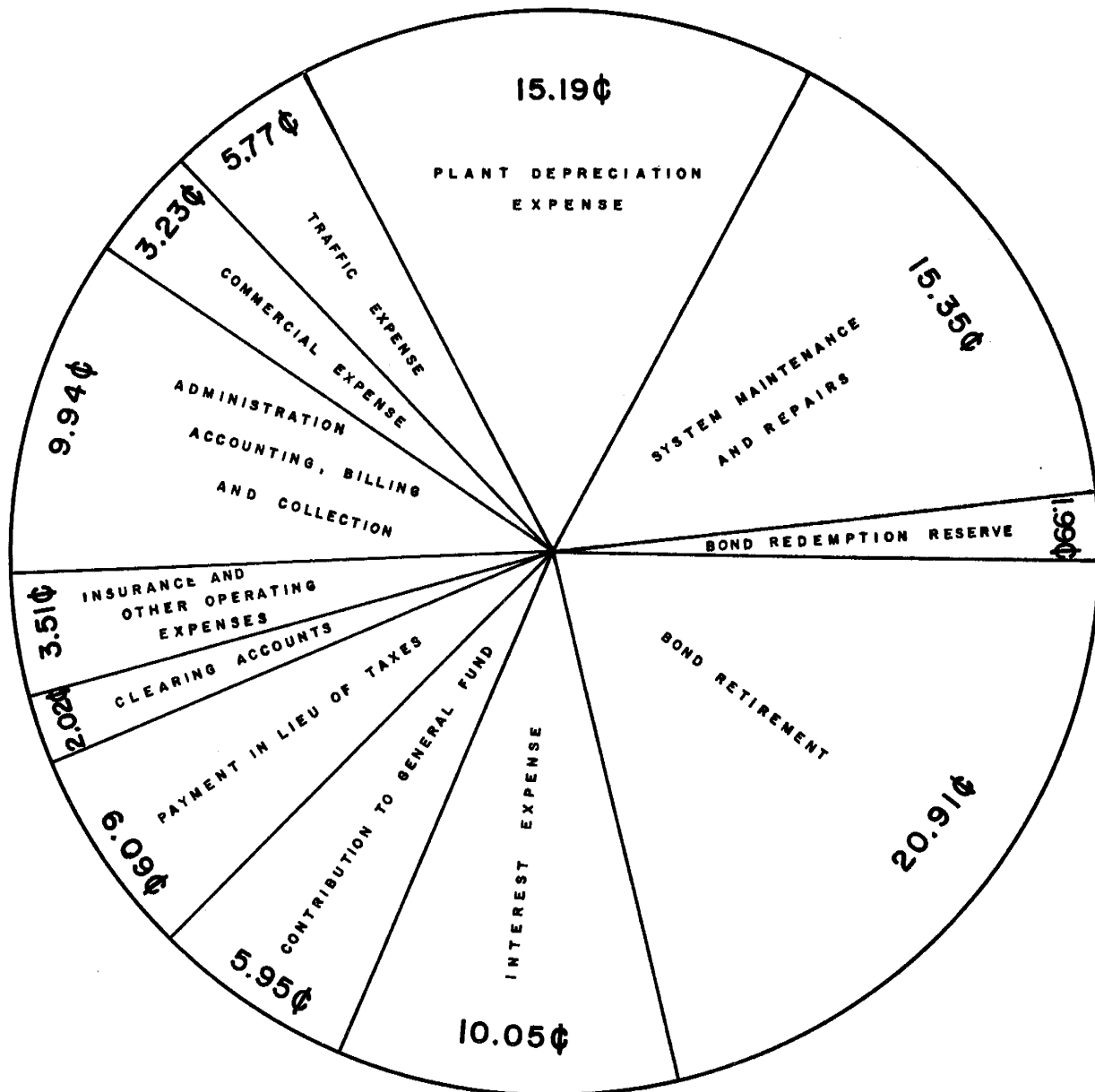
# **TELEPHONE UTILITY FUND BUDGET**

<u>Code</u>	<u>MAINTENANCE EXPENSE</u>	<u>Estimated 1956</u>	<u>Estimated 1957</u>
T 602.1	Repairs of Pole Lines	\$ 6,812	\$ 4,177
T 602.2	Repairs of Aerial Cable	22,977	25,350
T 602.3	Repairs of Underground Cable	1,692	4,248
T 602.4	Repairs of Buried Cable	450	1,357
T 602.6	Repairs of Aerial Wire	1,026	2,054
T 602.7	Repairs of Underground Conduit	300	625
T 603	Test Desk Work	23,965	27,269
T 604	Repairs of Central Office Equipment	45,520	50,667
T 605	Repairs of Station Equipment	92,667	99,088
T 606	Repairs of Buildings & Grounds	2,799	3,330
T 607	Station Removals & Changes	8,451	13,073
	Total Maintenance Expense . . . . .	\$ 206,659	\$ 231,238
	<u>DEPRECIATION EXPENSE</u>		
T 608	Depreciation Charges . . . . .	\$ 221,883	\$ 228,856
	<u>TRAFFIC EXPENSE</u>		
T 624	Operators' Wages	\$ 71,672	\$ 86,877
T 629	C. O. Stationary & Printing	200	- - -
	Total Traffic Expense . . . . .	\$ 71,872	\$ 86,877
	<u>COMMERCIAL EXPENSE</u>		
T 642	Advertising	\$ 270	\$ - - -
T 645	Local Commercial Operations	36,242	40,809
T 649	Directory Expense	8,658	7,916
	Total Commercial Expense . . . . .	\$ 45,170	\$ 48,725
	<u>GENERAL OFFICE SALARIES &amp; EXPENSES</u>		
T 661	Executive Department	\$ 15,289	\$ 17,295
T 662	Accounting and Collecting	109,411	121,300
T 664	Law Department	8,260	11,135
	Total General Office Salaries and Expenses . . . . .	\$ 132,960	\$ 149,730

<u>Code</u>		<u>Estimated 1956</u>	<u>Estimated 1957</u>
	<u>INSURANCE AND OTHER OPERATING EXPENSES</u>		
T 665	Uncollectible Expense	\$ 6,500	\$ 7,364
T 668	Insurance	23,553	22,395
T 671	Operating Rents	13,978	15,125
T 675	Other Operating Expense	<u>10,606</u>	<u>7,925</u>
	Total Insurance & Other Operating Expenses . . . . .	\$ 54,637	\$ 52,809
	<u>CLEARING ACCOUNTS</u>		
T 702	Vehicle & Other Work Equip. Expense	\$ 9,650	\$ - - -
T 704	Supply Expense	7,600	10,317
T 706	Plant Supervision Expense	8,800	10,003
T 707	House Service Expense	8,875	10,030
T 709	National Guard Leave	<u>283</u>	<u>- - -</u>
	Total Clearing Accounts . . . . .	\$ 35,208	\$ 30,350
	<u>OTHER EXPENSES</u>		
	Contingent Reserve (Ordinance 1158)	\$ 17,000	\$ - - -
	Payment to General Fund in Lieu of Taxes	67,629	91,778
	Contribution to Gen. Fund	75,000	89,581
	Interest on Bonded Debt	170,994	151,438
	Bond Retirement	250,000	315,000
	Bond Redemption Reserve	<u>30,000</u>	<u>30,000</u>
	Total Fixed Charges . . . . .	\$ 610,623	\$ 677,797
	<u>PLANT UNDER CONSTRUCTION</u>		
	Construction Fund . . . . .	\$ 221,883	\$ 228,856
	TOTAL 1956-57 BUDGET . . . . .	\$ 1,600,895	\$ 1,735,238

# TELEPHONE UTILITY

## OPERATING REVENUE DOLLAR APPROPRIATIONS—1957



Comparative Statement of Income and Expense:

	<u>Actual 1955</u>	<u>Estimated 1956</u>	<u>Estimated 1957</u>
Operating Revenues . . . . .	\$ 1,093,049	\$ 1,379,012	\$ 1,506,382
Less:			
Operating Expenditures . . . . .	426,193	546,506	599,729
Depreciation . . . . .	<u>175,934</u>	<u>221,883</u>	<u>228,856</u>
Net Operating Income . . . . .	490,922	610,623	677,797
Less: Interest Expense . . . . .	<u>140,186</u>	<u>170,994</u>	<u>151,438</u>
Net Income . . . . .	\$ 350,736	\$ 439,629	\$ 526,359

Appropriations of Net Income:

Transfers to General Fund . . . . .	35,000	75,000	89,581
City Equity Increase . . . . .	248,020	280,000	345,000
Contingent Reserve (Ordinance 1158) . . . . .	- - -	17,000	- - -
Payments in Lieu of Taxes . . . . .	51,900	67,629	91,778
Reserve for Construction . . . . .	11,405	- - -	- - -
Earned Surplus . . . . .	<u>4,411</u>	<u>- - -</u>	<u>- - -</u>

Totals . . . . . \$ 350,736 \$ 439,629 \$ 526,359

Income Available for Interest  
and Bond Retirement . . . . . \$ 674,025 \$ 832,506 \$ 906,653

Total Requirement for Interest  
and Bond Retirement . . . . . \$ 345,186 \$ 415,150 \$ 466,438

Ratio of Cash Available to  
Cash Required . . . . . 1.9526 2.0053 1.9437

**1957 WORK PROGRAM - TELEPHONE UTILITY**

The accounting system used by the City of Anchorage telephone utility adheres to the requirements and regulations governing a class A operating telephone entity under the uniform system of accounts established by the Federal Communications Commission. The expenditure budget appropriation requirements have been carefully prepared to assure continuity of satisfactory repair, maintenance, and replacement standards of the telephone plant, to provide for needed improvements in operations service standards,

to meet the obligations of debt amortization, interest expense, bond retirement reserves, and to satisfy other fixed charges. Detailed cost estimates of anticipated labor, material, and other expenses are presented in this budget to permit ready comparison with appropriations authorized in the 1956 telephone utility budget revision.

#### Maintenance Expense:

Total appropriations of \$231,238 will be required during the new budget year to provide an acceptable standard of satisfactory system maintenance and repair of a gross plant investment which is estimated to reach \$6,418,000 by the end of 1957. This maintenance appropriation represents an estimated 3.6% expense ratio, or one dollar of expense for each \$27.76 of total plant investment. Of each operating revenue dollar appropriation contained in the 1957 telephone utility budget, 15.35 cents will be expended on system maintenance and repairs.

The gross maintenance appropriation is distributed to 6 all-inclusive plant repair accounts. Expense of outside plant repair, one of the basic repair accounts, is further detailed for budget information and performance control purposes into 6 sub-accounts. Limited sums are included in each of these sub-accounts to bring up to date the engineering records of plant in place.

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 215 miles of pole lines throughout the service area. The present condition of pole line plant is essentially good. Lower expense and less need of corrective effort is contemplated during the new budget year as a result of preventative effort and progressive fault correction in prior years. Preventative maintenance and inspection will continue to be exercised throughout the new year.

Account T 602.2. Repairs of aerial cable will require the nearly full time effort of a two man team to maintain an estimated 675,000 linear feet of lead covered feeder and distribution cable. The larger line construction crew will be used to a minor extent in relashing some cable sections in need of this attention 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 for the most part those expenses incurred in connection with the relocation 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 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 48,000 linear feet of underground cable plant.

Account T 602.4. Repairs of approximately 6,800 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 is expected to result from 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 550,000 circuit 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 1956 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 23,000 linear feet of underground conduit and duct banks will be limited to inspecting, draining, and cleaning periodically a number of telephone manholes which may be affected by spring break-up and heavy summer rainfall conditions. 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 6000 lines of subscribers' line dial switching facilities valued at \$1,185,000. More than 55 million telephone calls will be processed during the new year based on current traffic volume and projected telephone station gain.

Account T 605. Repairs of station equipment includes both corrective and preventative maintenance functions devoted to the 15,000 telephones expected to be in service by the end of 1957. 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 preventative maintenance functions. Station equipment repairs are scheduled as a 6 days per week activity.

Account T 606. Repairs to buildings and grounds includes the cost of maintaining the heating and airconditioning systems of the main telephone exchange building and the outside plant dispatching and repair 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.

Account T 607. Station removals and changes provides for the expense of removing or disconnecting station equipment, station rearrangements, and changing numbers or station apparatus as a result of plant redistribution activities.

Depreciation Expense:

This account reflects the estimated cost of annual plant depreciation based on an approximate capital plant value of \$5,605,000 at the end of 1956. At 6 months 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 stationary and printing have been consolidated into one account in order to simplify accounting procedures.

The traffic expense appropriation is sufficient to permit the operation for 9 months of the new year an additional attendant type switchboard position so that a positive improvement can be effected in the processing by an increased operator staff from the ever increasing volume of traffic being experienced, particularly during normal hours of the community's business activities.

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 15,000 service orders will be processed by the commercial operations section during the year 1957. This account also provides for the purchase during the year of 6,200 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 Comptroller and City Clerk-Treasurer, and the cost of the telephone utility's proportionate share in the maintenance of the City's law department.

The expense of attendance by a City of Anchorage representative of two important telephone conventions during the year is also budgeted in this account. The annual meeting of the Alaska Telephone Association, of which this City is a member, is scheduled to be held during the month of August in Kodiak, Alaska. This is the meeting at which all association members discuss with representatives of the ACS the operating performance and experience of the respective local telephone companies under the long

distance interconnection agreement with a view toward improving the division of toll revenue payout schedule.

The annual meeting of the United States Independent Telephone Association is scheduled to be held in Chicago during the month of October. This group represents the interests of some 4700 independent telephone companies operating throughout the United States, its territories and possessions. It is deemed to be in the best interests of the City to have occasional representation at the Chicago convention so as to take advantage of the highly informational plant, traffic, commercial, and accounting forums scheduled to be held. Displays of new equipment developments, technological advances, and a preview of the shifting service patterns and cost trends in the telephone industry will give a greater insight to the City in its planning for a constantly improving telephone system in its endeavor to serve the needs of this community.

#### Insurance and Other Operating Expenses:

A reserve fund for uncollectible expense is appropriated to reflect a one-fourth 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 workman's compensation insurance costs comprise the total estimated insurance expense for the year's system operation. Annual fees for contact privileges on 3950 Chugach Electric Association poles and on 3000 Municipal Light and Power Department poles, and annual charges for lease of cable pairs from other agencies and right-of-way charges are reflected in the operating rents appropriation. 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:

This budget does not contain a separate account as has been maintained in previous years, for vehicle and other work equipment expense. For the first time, vehicle and work equipment costs are reflected in each individual expense account or capital plant account affected. The remaining clearing 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 accounts affected. The 1957 work program is expected to develop Supply, Supervision, and House service charges in the amount of approximately \$89,266 of which 66% will be charged to capital plant projects and 34% to the budgeted 1957 telephone utility expense accounts.

Supply expense includes the utility's proportionate cost of maintaining a central purchasing and warehousing operation. General supervision costs over plant operation activities are charged against the clearing account designated Supervision Expense. House Service charges include the cost of

fuel, electricity, water, telephone, janitorial services for the spaces occupied by the utility's equipment and personnel, supplies, and for the purchase of small items of tools and work equipment having a limited duration of useful life.

Other Expenses:

Appropriations for fixed charges include payments to the General Fund in lieu of taxes, contribution to the General Fund, interest on long term debt, bond retirement, and bond redemption reserves from the net income of the telephone utility.

Payment to the general Fund in lieu of taxes is based on a net plant value on July 1, 1956 of \$4,588,900 at the rate of a 20 mill assessment. Such payment is considered equivalent to the property taxes levied by the municipality against private enterprise.

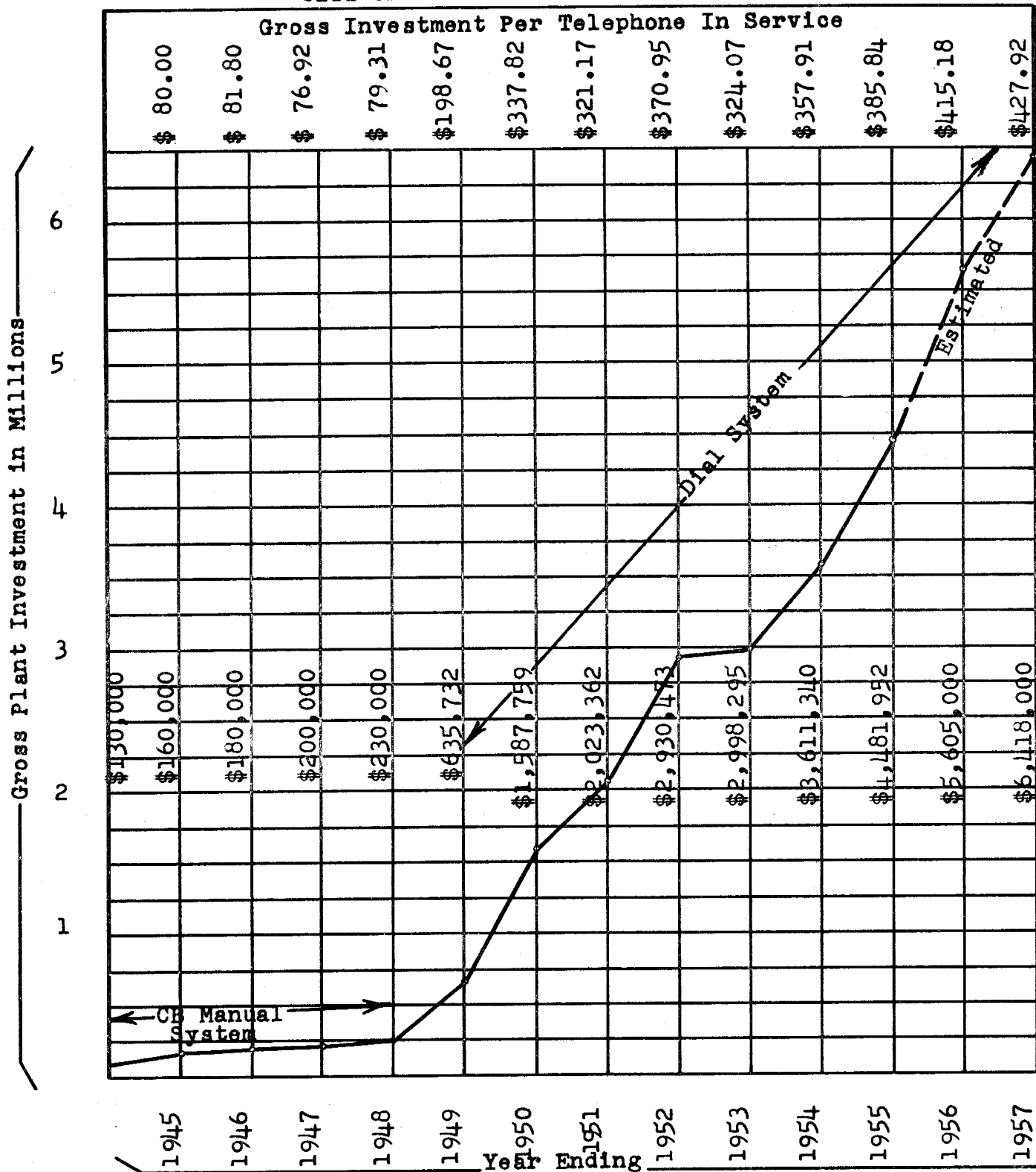
Net income of the telephone utility in the amount of \$434,581 during 1957 represents an 8% return to the City on an estimated gross plant value at the close of 1956 of \$5,432,267. Distribution of this net income requires the expenditure of \$315,000 for bond retirement, \$30,000 for bond redemption reserves, and the remaining balance of \$89,581 is appropriated as a cash dividend transfer to the City's General Fund. The actual sum total contribution to be made during 1957 is 16.28% more than was available for transfer in the year ending 1956.

Interest charges on the bonded debt are \$19,556 less than 1956 as a result of the rapid rate of bond retirement. Bond retirement expenditures of \$315,000 will reduce the telephone utility's bonded debt to \$3,715,000 by the end of the year 1957. Therefore, the gross plant value will reflect a ratio of approximately 65% debt and 35% equity. The present retirement schedule on remaining long term debt reveals that all current bonded indebtedness will have been retired by the end of the year 1970. Bond retirement during the year 1957 has been increased to \$65,000 more, or 20.6% higher than the \$250,000 expended in 1956. This increased rate of redemption has been provided for entirely out of the utility's net income and thereby to a great degree affects the utility's capability to afford any higher cash contribution to the City's General Fund.

The bond redemption reserve is set aside at the rate of \$2,500 per month to assure repayment of bond issues in accordance with specific bond ordinance requirements. The total appropriation of \$30,000 is the same amount as was budgeted in the year 1956 for redemption reserve purposes.

It should be noted that the comparative statement of estimates of 1957 revenue and expense indicates that a 1.9437 ratio of cash available to cash required can be maintained so far as affects income available for interest and bond retirement. The 1955 telephone revenue bond ordinance requires that this ratio shall be maintained at not less than 1.9.

# CITY OF ANCHORAGE TELEPHONE UTILITY



#### Plant Under Construction:

The annual depreciation reserve is appropriated to this capital expenditure account to provide funds for plant replacements, betterments, and for costs incurred in connection with plant retirements. Drop and block wiring and station installations is expected to cost \$132,235 for labor and material, plus \$12,827 for vehicle expense, and \$19,835 for clearing accounts and engineering charges.

Trade-in of five vehicles and the purchase of two additional trucks equipped with special utility type bodies is provided for in this appropriation and is expected to cost approximately \$22,800. Purchase of a new test desk at \$6,000, and the procurement of special telephone tools and test sets and related equipment is estimated to cost \$1,800 for use by PBX, cable splicing, installing, trouble shooting, and central office personnel. One additional two-position attendant type operators switchboard will be purchased, equipped and installed for approximately \$7,000.

Partitioning the central office equipment battery room and telephone power plant, and the improvement of other basement spaces in the main exchange building for office personnel occupancy is expected to cost approximately \$2,400. Purchase of office furniture and equipment requirements will entail expenditures of some \$1,400.

A special traffic and dial switching equipment study of future needs of the area, particularly that of designing and compiling specifications of satellite exchange requirements of the area, is expected to cost approximately \$12,500. Retirement costs of capital plant removals is expected to absorb the balance of \$10,059 remaining in the Plant Under Construction appropriation.

#### Bond Fund Construction:

Completion of the current capital plant expansion program will continue throughout all districts within the service area to the extent of funds available. Bond fund monies will be exhausted by the end of 1957 and it appears that additional sums will be required in order to continue the extension of plant facilities into newly developed areas when such system expansion is economically feasible. Engineering of satellite exchange requirements will be undertaken as quickly as a qualified individual is employed to carry out this urgently important study.

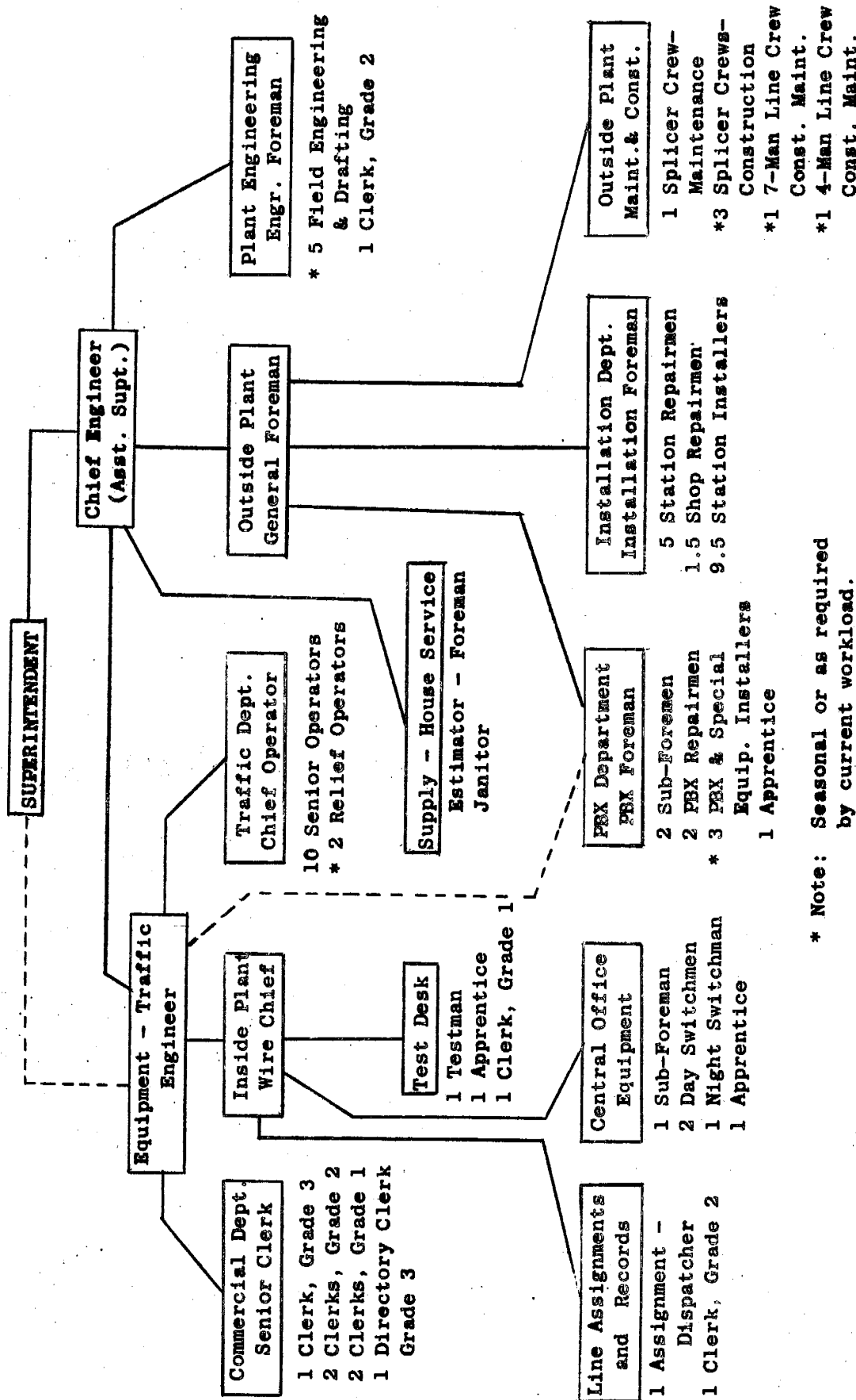
The remaining bond fund monies in the 1955 telephone revenue bond fund will be expended on extension of feeder cables and local cable distribution work in the Spenard area, the extension of feeder cable, local distribution cable, rural distribution cable, and aerial wire into the southern rural perimeter

of the exchange service area, and various plant improvements in the Fairview district. All such capital plant expansion will be carried out strictly in accordance with the master plan of telephone plant layout designed for the City telephone utility by the engineering consulting firm of Gustav Hirsch Organization, Inc. during the year 1955. Detailed cost estimates are not contained herein for the improvements expected to be made next year in as much as the detailed engineering of all phases of this program remain to be completed. However, materials and supplies now on hand together with cash available indicates that approximately \$400,000 in additional plant will be constructed throughout the out-of-city areas described above during the year 1957.

Unexpended 1956 General Obligation telephone bond fund monies will make available approximately \$125,000 for plant system improvements within the corporate limits of the City. This, together with currently authorized capital work orders and available inventory is expected to provide telephones to all City residents desirous of obtaining service, to permit upgrading of existing service in nearly all areas of the City, and to allow an improvement in plant capacity throughout the central business district. The construction of a limited amount of underground telephone plant is scheduled to be undertaken in the alleys of the central business district or for circuitous access to said district. Much of this expense could be deferred to later years if it were not for the alley paving projects that apparently are scheduled to be undertaken within the foreseeable future.

In conclusion, it is contemplated that the total held orders expected to be unworked by the end of 1957 can be effectively reduced to the lowest level in the telephone availability status ever recorded for the service area. Those initial held orders which thereafter remain will for the most part be for service requests in isolated areas to which plant extension is not deemed economically feasible without a contribution or aid to construction by the applicant. The engineering staff will endeavor to explore every possibility of the economies afforded and the problems which may be encountered in serving such held orders through the use of line concentrators, subscriber line carrier equipment, and power line carrier facilities to the end that the quantity of held orders may be even further reduced, and modern dial telephone service will be made available in nearly every location throughout the exchange service area.

# TELEPHONE DEPARTMENT ORGANIZATION CHART - 1957



\* Note: Seasonal or as required by current workload.