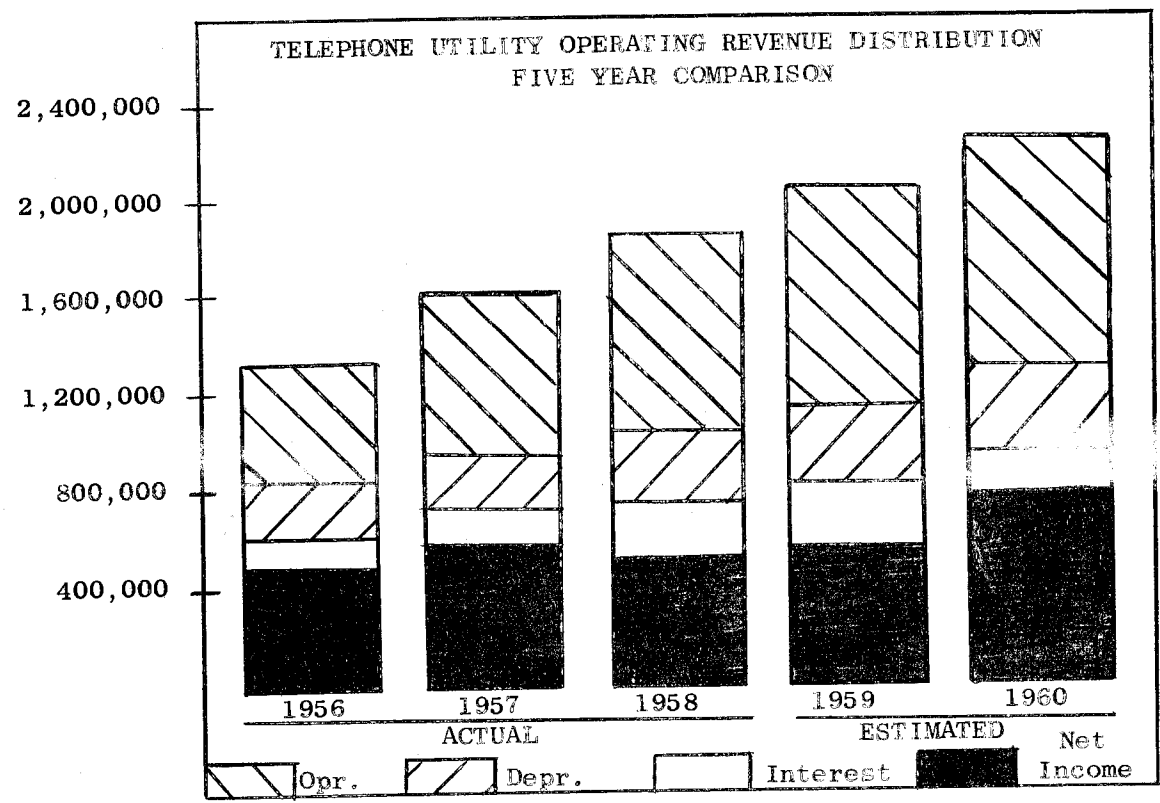
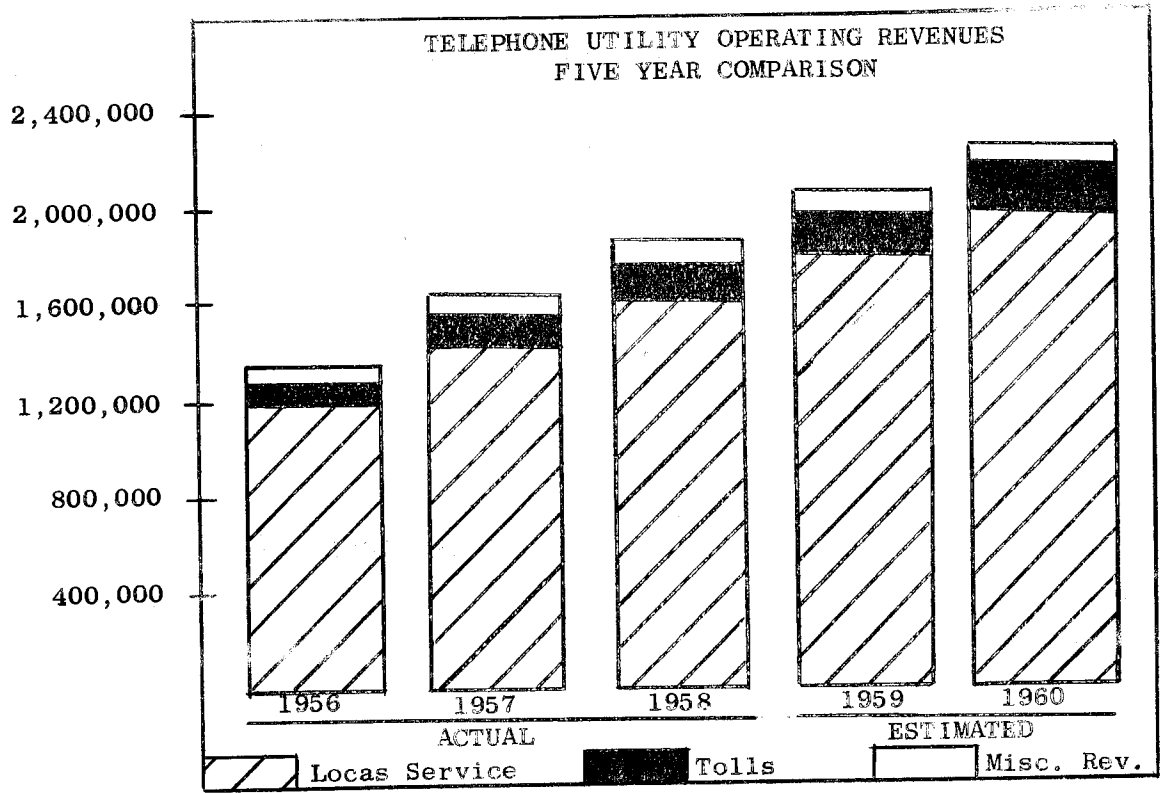


TELEPHONE UTILITY FUND BUDGET

The City of Anchorage, Alaska
1960



1960 BUDGET
 TELEPHONE UTILITY FUND
SUMMARY OF REVENUES

| <u>Code</u> | <u>Operating Revenue</u> | <u>Estimated 1959</u> | <u>Estimated 1960</u> |
|-------------|-------------------------------|---------------------------|---------------------------|
| T 500 | Subscriber Station Revenue | \$ 1,660,000 | \$ 1,830,000 |
| T 501 | Public Telephone Revenue | 27,000 | 29,000 |
| T 506 | Other Local Service Revenue | 44,500 | 46,000 |
| T 510 | Message Tolls | 165,500 | 195,000 |
| T 511 | Telegram Revenue | 18,000 | 19,000 |
| T 523 | Directory Revenue | 7,000 | 7,000 |
| T 526 | Other Operating Revenue | <u>105,000</u> | <u>95,000</u> |
| | Total Operating Revenue | \$ 2,027,000 | \$ 2,221,000 |
| | <u>Non-Operating Revenue</u> | | |
| | Depreciation Reserve | \$ 335,606 | \$ 342,607 |
| | Cash Balance - Prior Year | <u>158,820</u> | <u>77,230</u> |
| | Total Non-Operating Revenue | \$ 494,426 | \$ 419,837 |
| | TOTAL BUDGET RESOURCES | \$ 2,521,426 | \$ 2,640,837 |

EXPLANATION OF TELEPHONE UTILITY REVENUE ESTIMATES:

Operating Revenues:

The municipally owned telephone system renders local telephone service to business and residence establishments within the City of Anchorage and to the adjacent suburban and rural districts. Four telephone exchanges housing modern dial central office switching equipment are situated at strategic locations throughout the approximately sixty square miles of area served by the system. A tandem switching center completely integrates the four exchanges

under a metropolitan two letter, five numeral type subscribers' station numbering plan. The City Council have chosen thereby to provide extended area service to its telephone subscribers rather than impose a toll on message traffic between the four exchanges.

A total of 18,000 telephones is expected to be in service commencing with the new budget year. Anticipated station growth during 1960 indicates that an additional 2,500 telephones will be placed in service, thus bringing the total served to 20,500. Much of the forecasted station growth will come about through completing held orders and, to a larger extent, through serving considerable new residential housing developments expected in 1960. Several new office buildings and a new hotel presently under construction in the central business district will create a need for extensive telephone installations. Service will additionally be extended to the Port of Anchorage, numerous small apartment developments, a large neighborhood shopping center, and to the site of the new Public Safety Building.

Account T 500: Subscriber station revenues comprise the largest single source of annual operating revenues and are derived principally from flat rate regular business and residential telephone services. All manner of special station apparatus and instrumentalities are available to local subscribers. Additionally, both dial and manual PBX facilities and leased lines for special circuitry to serve commercial and governmental requirements are offered by the telephone utility.

This revenue source accounts for 82.35 cents of each dollar of operating revenue resource. Based on growth forecasts above described, telephones in service at the end of 1960 will have increased by 13.88% over the previous year. Average annual revenue per telephone during 1960 is estimated at \$94.70 as compared with an average of \$93.90 during 1959 due to anticipated upgrades in service for some 750 stations.

Account T 501: Public pay telephones are located throughout the service area for the convenience of shoppers, visitors, and the occasional user. Use of the pay telephone is limited to extended area service for which the current tariff is 10 cents per local call. An average of approximately 90 public pay telephones are planned to be operated during the new budget year.

Revenue from this source is expected to increase by 7.4% over the total realized during 1959. However, the average revenue per pay telephone in 1960 is expected to decrease slightly even though more such units will be in operation. This assumption is based on the anticipated saturation of the service area with regular type telephone service. The average monthly revenue generated by each unit in 1960 is expected to drop to \$26.80 in contrast with approximately \$28.20 generated per unit each month during 1959.

Account T 506: Other local service revenue is derived principally from flat rate business service and special station apparatus supplied to other departments of the City of Anchorage. Remote control circuits for the civil defense

siren network, water well alarm circuits, a dial PBX system serving City Hall, leased cable pairs for radio control, and special alarm systems for the fire and police departments comprise the bulk of special services and facilities used by city departments.

Account T 510: Message toll revenue represents the city's share of compensation for long distance calls that are placed and received for which the city is contractually responsible for accounting, billing, and collecting. An interconnection agreement between the city and the Alaska Communication System centers around a toll compensation formula adopted early in 1958 which provides that the city be reimbursed for its direct and indirect costs plus a reasonable return on its plant investment allocable to message toll traffic.

Since the time of adoption of the present method of toll settlement, the investment in local plant facilities has been substantially increased, revenue deductions due to a higher amount of uncollectibles than the present level of toll compensation provides for are being experienced, and other direct and indirect costs have increased. It is, therefore, of the utmost importance that the city obtain the services of a recognized expert consultant in the matter of separation studies and toll settlements to complete an appraisal leading to a more adequate level of toll compensation for the city.

Account T 511: Telegram revenue represents the contractual division of telegraph tolls for all such traffic originating paid or terminating collect at local telephone subscribers' stations. The Alaska Communication System provides stateside connections with the Western Union Telegraph Company. The city is responsible for accounting, billing, and collection of such telegraph charges and is compensated for its costs and the use of its plant facilities at the rate of 10 per cent of the total telegraph charges billed to its telephone subscribers.

Account T 523: Directory revenue is obtained through a contractual arrangement with the publisher of the city's telephone directory. For the privilege of selling all advertising in the classified section of the directory and producing two annual editions of the directory, the publishing contractor pays to the city a sum of \$4,000 per edition or 5 per cent of gross receipts, whichever is the higher amount. The practice of receiving a share of directory advertising revenue to offset directory preparation and maintenance of records is universal throughout the telephone industry.

Account T 526: Other operating revenue is derived from miscellaneous non-recurring service charges, equipment installation fees, interest revenue received on bank deposits and investments in securities of telephone utility funds, and customer penalties on delinquent accounts. The decrease in bank deposits of bond fund monies withdrawn to pay for the recent major expansion of telephone utility plant accounts for the lower amount of estimated revenue under Code T 526 when compared with the previous year.

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 plant under construction' account to provide for necessary capital plant replacements and improvements. Computation of this revenue resource and the appropriation to the construction account is explained in subsequent sections of the telephone utility fund budget.

Cash Balance - Prior Year is appropriated to assure the availability of sufficient net income during the year to the amount necessary to meet bond retirement, bond redemption reserves, payments in lieu of real and personal property taxes, and transfers to the general fund. The latter is a dividend to the city on its net telephone plant investment computed at the rate of 8 per cent from which source the annual bond principal payments and redemption reserves are first deducted.

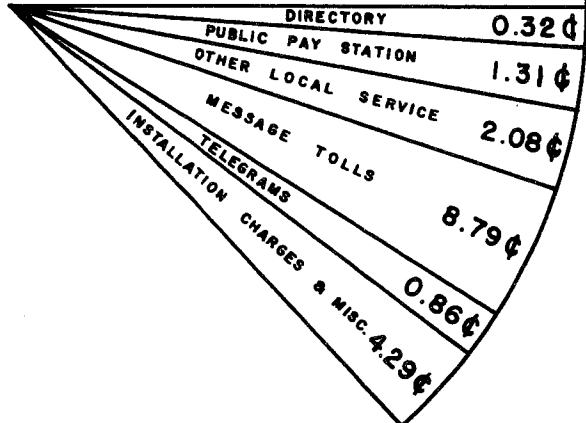
The net income of the telephone utility normally should progressively increase as the recently completed plant additions reach full saturation. Effects of decreased rates in newly annexed areas during the past several years, a higher ratio of investment per telephone in a multi-exchange complex and the consequent impact of increasing fixed charges, annual wage increases of craftsmen to meet prevailing levels of the area, and the requirements of the public for higher service standards combine to offset net income from station gain. For these reasons, it is urgently necessary that revenue from services rendered be kept in proper perspective with investment, cost, rate of return, and service value.

TELEPHONE UTILITY

OPERATING REVENUE DOLLAR RESOURCES 1960

82.35 ¢

DERIVED FROM FLAT RATE LOCAL
SERVICE RENDERED TO BUSINESS
AND RESIDENCE SUBSCRIBERS



1960 BUDGET

TELEPHONE UTILITY FUND

EXPENDITURE SUMMARY

| <u>Expenditure Classification</u> | <u>Estimated 1959</u> | <u>Estimated 1960</u> |
|---|---------------------------|---------------------------|
| Maintenance Expense | \$ 387,070 | \$ 400,334 |
| Depreciation & Extraordinary Retirement Expense | 349,964 | 356,965 |
| Traffic Expense | 122,000 | 139,608 |
| Commercial Expense | 67,000 | 68,900 |
| General Office Salaries & Expense | 146,909 | 155,221 |
| Insurance & Other Operating Expense | 61,215 | 69,821 |
| Clearing Accounts | 25,625 | 35,710 |
| Total Fixed Charges | 948,807 | 1,071,671 |
| Plant Construction | <u>304,701</u> | <u>342,607</u> |
| TOTAL EXPENDITURES | \$ 2,413,291 | \$ 2,640,837 |

TELEPHONE UTILITY FUND BUDGET

| <u>Code</u> | | <u>Estimated 1959</u> | <u>Estimated 1960</u> |
|-------------|--|---------------------------|---------------------------|
| | <u>MAINTENANCE EXPENSE</u> | | |
| T 602.1 | Repairs of Pole Lines | \$ 12,000 | \$ 7,250 |
| T 602.2 | Repairs of Aerial Cable | 47,000 | 27,500 |
| T 602.3 | Repairs of Underground Cable | 2,900 | 2,600 |
| T 602.4 | Repairs of Buried Cable | 1,200 | 1,000 |
| T 602.6 | Repairs of Aerial Wire | 1,500 | 300 |
| T 602.7 | Repairs of Underground Conduit | 1,500 | 1,400 |
| T 603 | Test Desk Work | 26,870 | 29,100 |
| T 604 | Repairs of Central Office Equipment | 85,000 | 125,354 |
| T 605 | Repairs of Station Equipment | 205,000 | 192,430 |
| T 606 | Repairs of Buildings and Grounds | 4,100 | 5,000 |
| T 610 | Maintaining Transmission Power | <u>- - -</u> | <u>8,400</u> |
| | Total Maintenance Expense. | \$ 387,070 | \$ 400,334 |
| | <u>DEPRECIATION & EXTRAORDINARY RETIREMENT EXPENSE</u> | | |
| T 608 | Depreciation Expense | \$ 335,606 | \$ 342,607 |
| T 609 | Extraordinary Retirements | <u>14,358</u> | <u>14,358</u> |
| | Total Depreciation & Extraordinary Retirement Expense. | \$ 349,964 | \$ 356,965 |
| | <u>TRAFFIC EXPENSE</u> | | |
| T 624 | Operators' Wages | \$ <u>122,000</u> | \$ <u>139,608</u> |
| | Total Traffic Expense. | \$ 122,000 | \$ 139,608 |
| | <u>COMMERCIAL EXPENSE</u> | | |
| T 642 | Advertising | \$ - - - | \$ 6,000 |
| T 645 | Local Commercial Operations | 58,400 | 56,000 |
| T 649 | Directory Expense | <u>8,600</u> | <u>6,900</u> |
| | Total Commercial Expense. | \$ 67,000 | \$ 68,900 |
| | <u>GENERAL OFFICE SALARIES AND EXPENSES</u> | | |
| T 661 | Executive Division | \$ 8,100 | \$ 6,000 |
| T 662 | Accounting & Collection | 127,069 | 136,404 |
| T 664 | Law Division | <u>11,740</u> | <u>12,817</u> |
| | Total General Office Salaries and Expenses. | \$ 146,909 | \$ 155,221 |

| <u>Code</u> | | <u>Estimated 1959</u> | <u>Estimated 1960</u> |
|-------------|---|---------------------------|---------------------------|
| | <u>INSURANCE AND OTHER OPERATING EXPENSES</u> | | |
| T 665 | Uncollectible Expense | \$ 9,000 | \$ 9,000 |
| T 668 | Insurance | 25,120 | 25,921 |
| T 671 | Operating Rents | 26,470 | 27,000 |
| T 675 | Other Operating Expenses | 19,425 | 17,000 |
| T 677 | Expenses Charged to Construction | <u>(18,800)</u> | <u>(9,100)</u> |
| | Total Insurance and Other Operating Expenses. | .\$ 61,215 | \$ 69,821 |
| | <u>CLEARING ACCOUNTS</u> | | |
| T 702 | Work Equipment Expense | \$ 3,500 | \$ 3,000 |
| T 704 | Supply Expense | 9,125 | 10,110 |
| T 706 | Plant Supervision Expense | 3,500 | 8,000 |
| T 707 | House Service Expense | <u>9,500</u> | <u>14,600</u> |
| | Total Clearing Accounts. | \$ 25,625 | \$ 35,710 |
| | <u>OTHER EXPENSES</u> | | |
| | Payment to General Fund in Lieu of Taxes | \$ 116,348 | \$ 188,031 |
| | Contribution to General Fund | 85,805 | 167,080 |
| | Interest on Bonded Debt | 257,654 | 216,560 |
| | Bond Retirement | 459,000 | 470,000 |
| | Bond Redemption Reserve | <u>30,000</u> | <u>30,000</u> |
| | Total Fixed Charges. | \$ 948,807 | \$ 1,071,671 |
| | <u>PLANT UNDER CONSTRUCTION</u> | | |
| | Construction Fund | \$ 304,701 | \$ 342,607 |
| | TOTAL 1959-1960 BUDGET | \$ 2,413,291 | \$ 2,640,837 |

Comparative Statement of Income and Expense:

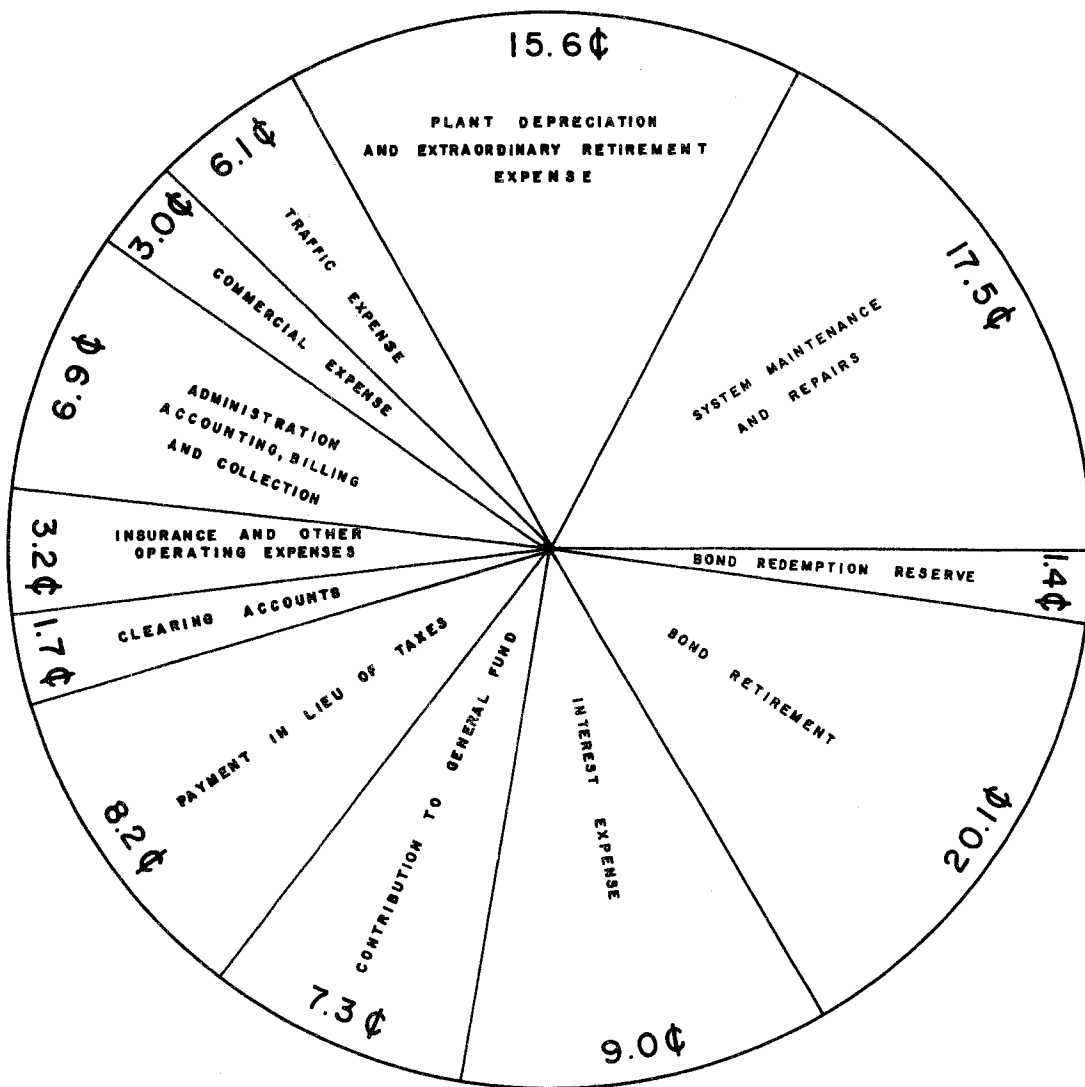
| | <u>Estimated 1959</u> | <u>Estimated 1960</u> |
|---|---------------------------|---------------------------|
| Operating Revenues | \$ 2,027,000 | \$ 2,221,000 |
| Cash Balance - Prior Year | 158,820 | 77,230 |
| Less: | | |
| Operating Expenditures | 824,177 | 883,952 |
| Depreciation | <u>335,606</u> | <u>342,607</u> |
| Net Operating Income | \$ 1,026,037 | \$ 1,071,671 |
| Less: | | |
| Interest Expense | \$ <u>257,654</u> | \$ <u>216,560</u> |
| Net Income | \$ 768,383 | \$ 855,111 |
| <u>Appropriations of Net Income:</u> | | |
| Bond Retirement | \$ 459,000 | \$ 470,000 |
| Bond Redemption Reserve | 30,000 | 30,000 |
| Transfer to General Fund | 85,805 | 167,080 |
| Payments in lieu of taxes | <u>116,348</u> | <u>188,031</u> |
| Totals | \$ 691,153 | \$ 855,111 |
| Income Available for Interest and Bond Retirement | \$ 1,361,643 | \$ 1,414,278 |
| Total Requirement for Interest and Bond Retirement | \$ 716,654 | \$ 686,560 |
| Ratio of Cash Available to Cash Required , . | 1.9000 | 2.0599 |

1960 WORK PROGRAM - TELEPHONE UTILITY

The City of Anchorage Telephone Utility follows, with but minor variations, the uniform system of accounts established by the Federal Communications Commission. Under the appropriate regulations promulgated by the Commission, the City-owned telephone utility adheres to such requirements as 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

TELEPHONE UTILITY

OPERATING REVENUE DOLLAR APPROPRIATIONS 1960



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 \$400,334 has been budgeted. In the following detailed presentation by maintenance expense account, the specific purposes for which moneys have been allocated are described completely. Of each operating revenue dollar appropriation contained in this budget, 18 cents has been set aside for the proper maintenance and repair of a total plant in service estimated to reach \$9,757,568. The total appropriation is distributed to five major categories of plant repair for ease in accounting. One major category is further detailed herein 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 375 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 in order to properly maintain an estimated 1,121,800 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 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. Moneys 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 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 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 69,000 linear feet of underground cable plant.

Account T 602.4 Repairs of approximately 12,500 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 100,000 feet of aerial wire will remain in service following the retirement and removal of open wire plant sections being replaced with larger capacity cable.

Account T 602.7 Repairs of approximately 32,500 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 six days per week.

Account T 604. Repairs of central office equipment includes the six days per week maintenance of 9,500 lines and 14,500 terminals of subscribers' line dial switching facilities valued at \$2,000,000. More than 65 million telephone calls will be processed during the new year based on current traffic volume and projected telephone station gain. It is planned that if additional funds become available during the budget year, additional personnel will be

employed to permit a 24 hour maintenance effort on a seven days per week basis. This additional coverage is expected to be required soon after the activation of central office equipment in the three satellite exchange buildings.

Account T 605. Repairs of station equipment includes both corrective and preventative maintenance functions devoted to the 20,500 telephones expected to be in service by the end of 1960. 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 six days per week activity.

Account T 606. Repairs to buildings and grounds includes the cost of maintaining the heating and air conditioning systems of the three satellite exchange buildings, 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 lawns at exchange building locations, and provides for minor repairs and painting of spaces throughout the main exchange building.

Account T 610. This appropriation provides for the expense of electric energy used for the transmission of signals, maintain properly charged storage batteries in each central office, and rectification of commercial alternating current to direct current voltage needed to operate the many thousands of relays used in connection with central office dial switching equipment functions.

Depreciation and Extraordinary Plant Retirement Expenses:

This account reflects the estimated cost of annual plant depreciation based on an approximate capital plant value of \$7,763,497 at the end of 1959. At six 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 4.5% 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.

Extraordinary retirement charges reflect the unprovided-for loss in service value of depreciable telephone plant retired due to causes not recognized in depreciation. This specific appropriation represents a portion of the estimated loss in service value of aerial wire plant expected to be retired

during 1960 due to insufficiency of capacity to meet current service volume demand. Such plant will be replaced with adequate capacity lead covered aerial cable plant. In this instance, the total value of such loss in service value of aerial wire plant to be retired in 1960 will be charged to expense in three annual installments, the first of which is reflected in the 1959 budget appropriation therefor.

Traffic Expense:

This account provides for the twenty-four 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 in order to simplify accounting procedures.

The traffic expense appropriation is sufficient to permit the operation for a full year of the additional attendant type switchboard position which was installed during the year 1958. 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 appropriation also covers the expense of facility assignment and maintenance of cable records, station equipment and location records, terminal assignment records, line cards, and related record control of facility usage.

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 two 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 25,000 service orders will be processed by the commercial operations section during the year.

An appropriation of \$6,000 for advertising and merchandising is made to provide customers with periodic institutional type material relating to system operations and developments together with new service features and facilities which may be offered by the system.

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 maintenance of the City's law department. Explanation of appropriations for accounting, billing, and collecting 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 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 four telephone buildings and associated equipment contents, and workman's compensation insurance costs comprise the total estimated insurance expense for the years' system operation. Annual fees for contact privileges on 6,500 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 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. Account code T 677 has been established in order to properly clear expenses incurred in connection with capitalized construction expenditures.

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 1960 work program is expected to develop work equipment, supplies, supervision, and house service charges in the amount of approximately \$44,638, of which 80% will be cleared to capital plant projects, and 20% will be cleared to budgeted 1960 telephone utility expense accounts.

Work equipment expense includes the cost of tools and similar items which are of short service life or low initial cost and normally capitalized. 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 January 1, 1960, of \$8,175,258 at the rate of a 23 mill levy. Such payment is considered equivalent to the property tax levied by the municipality against private enterprise.

Net income of the telephone utility in the amount of \$855,111 during 1960 represents an 8% return to the City on an estimated gross plant value at the close of 1959 of \$8,338,500. Distribution of this net income requires the expenditure of \$470,000 for bond retirement, including \$150,000 required to be repaid on the 1958 revenue bonds, \$30,000 for bond redemption reserves and the remaining balance of \$167,080 is appropriated as a cash dividend transfer to the General Fund.

Interest charges on the bonded debt amount to \$216,560. Bond retirements during the year 1960 is set at \$470,000, which is \$11,000 more than retired during the year 1959. This increased rate of redemption has been provided for entirely out of the utility's net income.

The bond redemption reserve appropriation is in the amount of \$30,000. As reflected in the foregoing, this appropriation has been established by ordinance associated with the 1958 bond funds.

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. Station installations are expected to cost \$206,750 which includes labor, materials and supplies, vehicle expense, and clearing accounts.

Procurement of 1,500 telephone instruments and miscellaneous station apparatus is estimated to cost \$51,657. Compressor equipment, air flow indicators, and related cable pressure equipment for the four telephone exchange buildings will cost approximately \$17,000 installed.

Addition of 1000 terminals of equipment at the Federal exchange is estimated to require an outlay of \$35,200. Improvements to basement spaces at the Broadway exchange building for use as office space by plant forces is estimated at \$12,000. Purchase of traffic observation and recording equipment will cost approximately \$6,500.

Purchase of tools and test sets for use by personnel engaged in central office, PBX, cable splicing, line construction, and station installation will cost \$2,900. File cabinets, tables, chairs, map files, drafting machine, typewriters, and other items of office furniture and equipment needed is estimated at \$2,600.

Landscaping of two satellite exchange buildings is estimated to cost \$3,000. Paving of the front parking lot area in front of the Broadway exchange is

estimated at \$5,000. This latter project will be coordinated as closely as possible with the proposed paving during 1960 of E Street.

Bond Fund Construction:

Completion of capital work orders remaining from the previous year is expected to be accomplished during the first half of the new budget year. Underground cables in Cordova Street between Second Avenue and Thirteenth Avenue, thence along Thirteenth Avenue to the BROADWAY exchange will be spliced and placed into operation to make considerable additional service available in the eastern portion of the downtown business district. Underground cable in L Street, in 5-6 alley between E Street and Cordova Street, in 3-4 alley between E Street and C Street, and in 4-5 alley between E Street and F Street will be spliced and activated to reinforce sections of the central business area.

Relocation of the Government Hill wire center into the basement of the fire station building will be completed during the year, thus allowing removal of the small frame structure adjacent to the fire station. Extension of cable to the Port of Anchorage, aerial cable installations in the Lake Spenard Park subdivision, along Campbell Road, and along Raspberry Road will exhaust funds made available through the sale of revenue bonds during the year 1958.

Other projects for which funds are not available include the design and preparation of bid documents for the enlargement of the BROADWAY exchange building, a building to be constructed in the vicinity of the City warehouse for outside plant forces and telephone repair shops, a comprehensive traffic engineering study, and equipment engineering to develop plans for additions of central office switching equipment at BROADWAY and for central office and inter-office trunking equipment needed at each of the satellite exchanges. Funds should be made available for extension of outside cable plant into new subdivisions, for approximately 14 blocks of underground conduit and manhole work, for cable plant pressurization work to reduce annual maintenance cost, for the purchase of key convenience and PBX systems. Also, funds should be provided to purchase and install a telephonic type emergency reporting system and to permit continuation of advance engineering of all plant components to keep in pace with the growing telephone service needs of an expanding metropolitan Anchorage.

Approximately \$850,000 is required during the year 1960 for capital outlay over and above the total amount of money presently available. Funds for capital improvements during the year 1961 to continue facility expansion to the extent that area growth is anticipated will require an additional \$2,500,000. It is therefore urgently necessary that early steps be taken to assure continuity of schedule in programming plant improvements through the provision of sufficient capital as and when required.

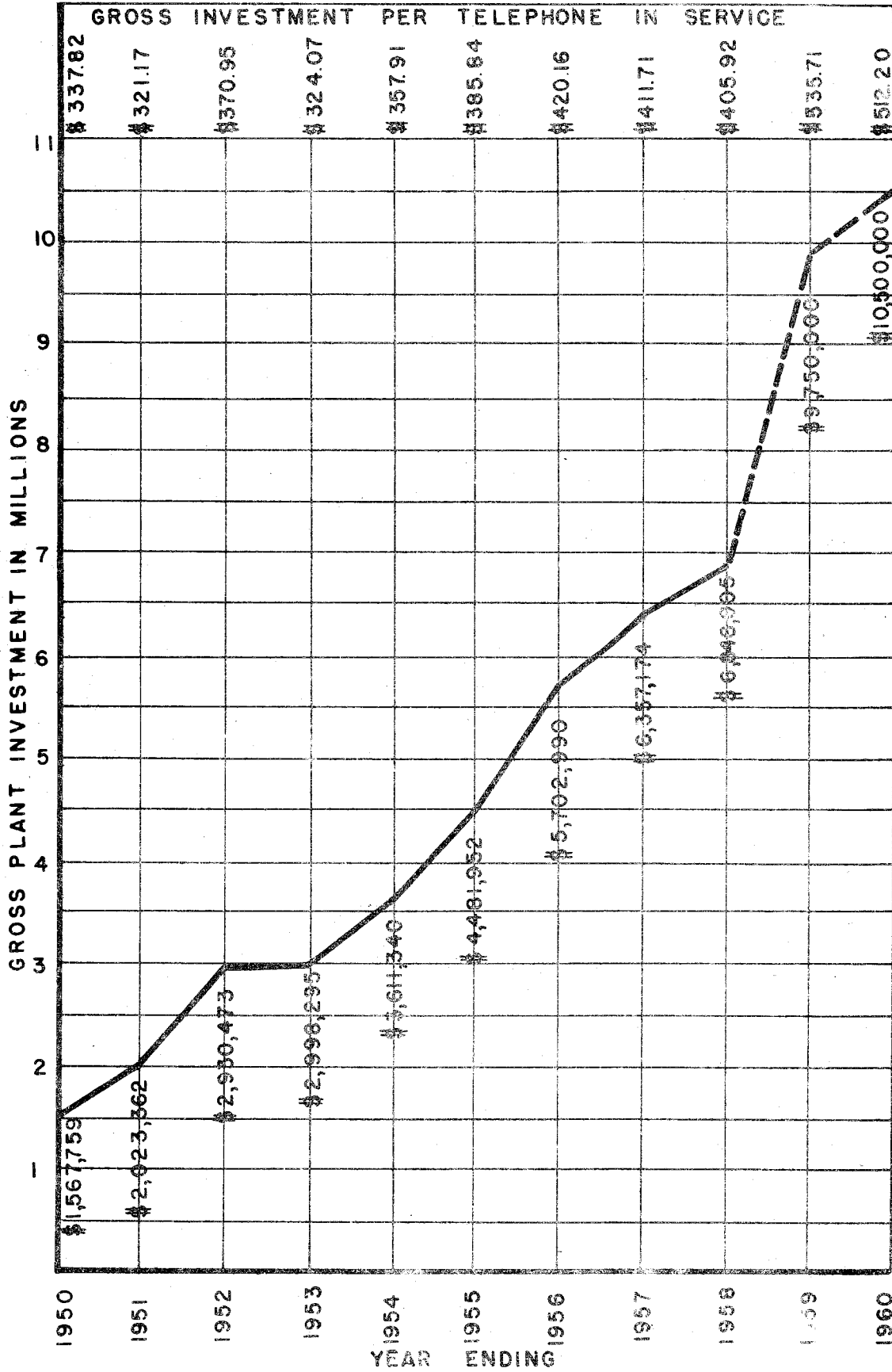
ESTIMATED 1960 CAPITAL REQUIREMENTS (funds not available)

| | |
|--|------------|
| Design of BRoadway building addition (Architect fee) | \$ 15,000 |
| Construct outside plant quarters (70'x50'x \$30) | 105,000 |
| Traffic & Equipment Engineering | 25,000 |
| Inter-office Trunking Additions (includes carrier) | 100,000 |
| Plant in new subdivisions | 150,000 |
| 14 Blocks of Underground Conduit | 100,000 |
| Cable Pressurization | 60,000 |
| 1A Key Systems | 35,000 |
| PBX and PABX | 100,000 |
| Emergency Reporting System | 100,000 |
| Advance Plant Engineering | 60,000 |
| | <hr/> |
| TOTAL | \$ 850,000 |

PRELIMINARY ESTIMATE OF 1961 CAPITAL REQUIREMENTS (funds not available)

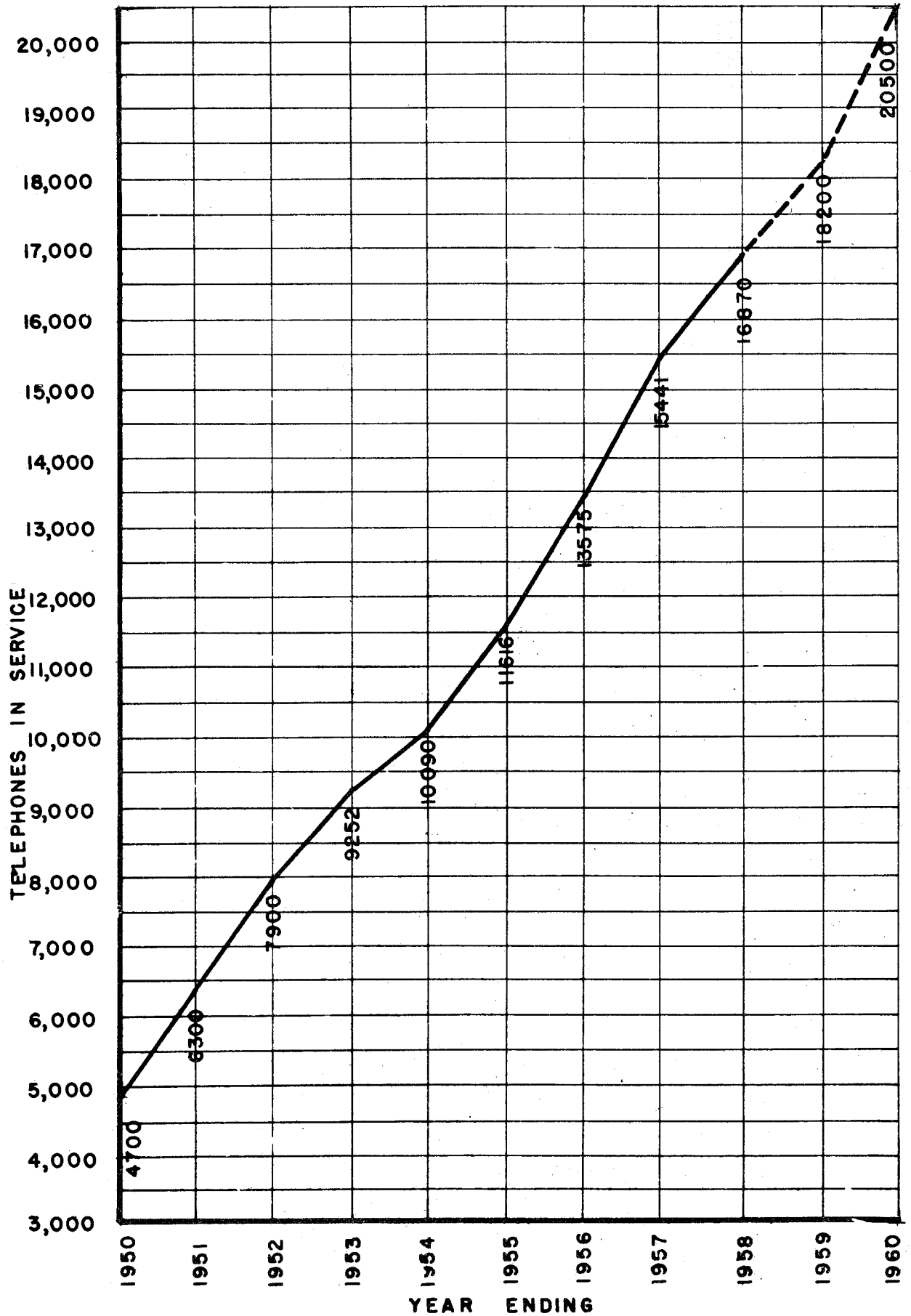
| | |
|---|--------------|
| Construct BRoadway building addition (60'x100'x 2 x \$35) | \$ 420,000 |
| Central Office Addition @ Broadway (2000 lines, 4000 terminals) | 600,000 |
| Tandem Additions and Trunks | 100,000 |
| Satellite Additions (2000 lines, 4000 terminals) | 500,000 |
| Outside Plant Additions | 300,000 |
| Underground Conduit (25 blocks) | 180,000 |
| Cable Pressurization | 60,000 |
| 1A key systems | 50,000 |
| PBX and PABX | 100,000 |
| Advance Plant Engineering | 60,000 |
| 3000 instruments | 90,000 |
| Expand repair shop (20'x60'x \$30) | 36,000 |
| | <hr/> |
| TOTAL | \$ 2,496,000 |

CITY OF ANCHORAGE TELEPHONE UTILITY



HISTORY OF ANNUAL GROSS PLANT INVESTMENT AND
CORRESPONDING INVESTMENT PER TELEPHONE 1950-1960

CITY OF ANCHORAGE TELEPHONE UTILITY



HISTORY OF TELEPHONE STATION GROWTH 1950-1960