

TELEPHONE UTILITY FUND BUDGET

The City of Anchorage, Alaska
1962

TELEPHONE UTILITY

1962 BUDGET

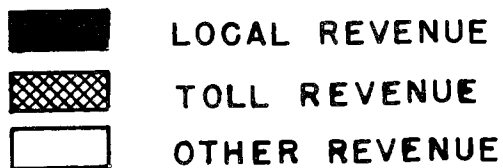
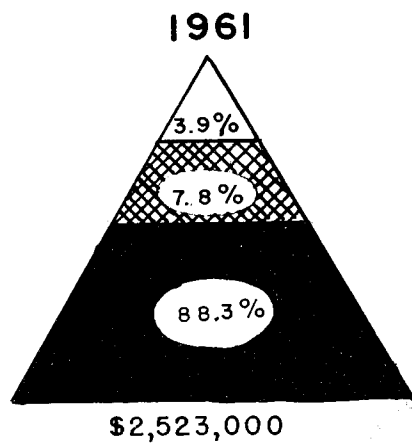
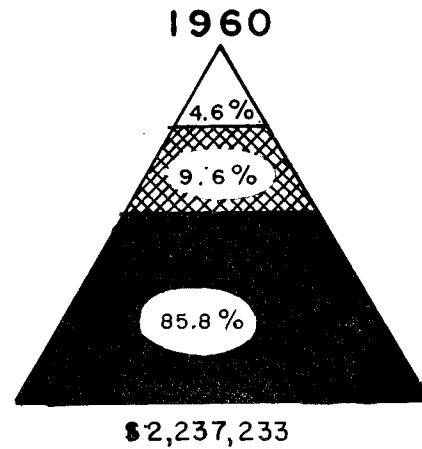
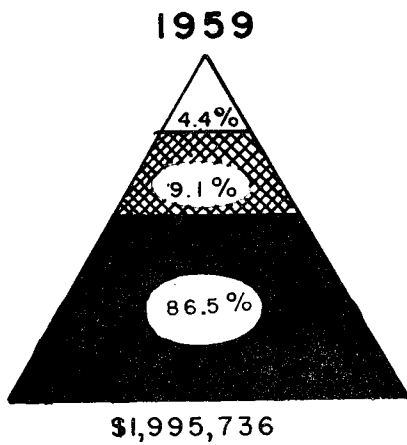
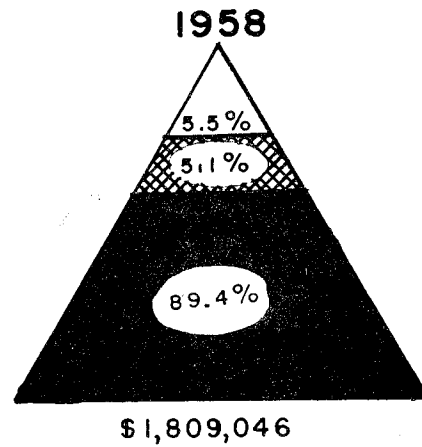
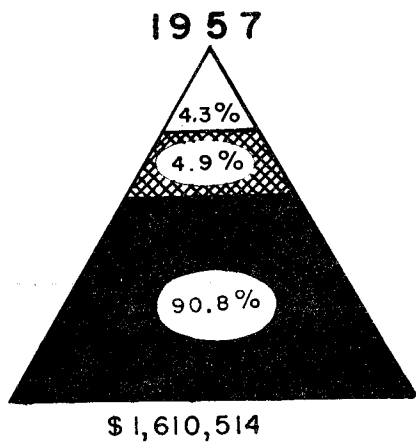
SUMMARY OF ANTICIPATED REVENUES

<u>Code</u>		<u>Estimated 1961</u>	<u>Estimated 1962</u>
	<u>LOCAL SERVICE REVENUES</u>		
2500	Subscriber Station Revenue	\$ 2,130,000	\$ 2,671,700
2501	Coin Telephone Revenue	28,000	38,000
2506	Other Local Service Revenue	50,000	50,000
		<u>\$ 2,208,000</u>	<u>\$ 2,759,700</u>
	<u>TOLL REVENUES</u>		
2510	Message Toll Revenue	\$ 185,000	\$ 200,000
2511	Telegram Revenue	22,000	24,000
		<u>\$ 207,000</u>	<u>\$ 224,000</u>
	<u>MISCELLANEOUS REVENUES</u>		
2523	Directory Revenues	\$ 8,000	\$ 8,000
2527	Visit & Installation Revenues	85,000	150,000
2526	Other Operating Revenue	15,000	25,000
		<u>\$ 108,000</u>	<u>\$ 183,000</u>
	TOTAL OPERATING REVENUES	\$ 2,523,000	\$ 3,166,700
	<u>NON-OPERATING REVENUES</u>		
2171	Depreciation Revenue	\$ 480,000	\$ 483,080
	TOTAL OPERATING AND NON-OPERATING REVENUES	\$ 3,003,000	\$ 3,649,780

BASIS FOR 1962 REVENUE ESTIMATES:

As in prior years Local Service Revenues are to provide 87% of the total operating revenues. 1962 indicates an increase of \$541,700 in Subscriber Station Revenue over 1961. This reflects the impact of the rate increase approved by council in July and effective August 1, 1961, plus the limited growth expected during the year. While the total number of telephones is expected to reach the projected 25,000, the number of new subscribers added will be

CITY OF ANCHORAGE - TELEPHONE UTILITY OPERATING REVENUE - SOURCE



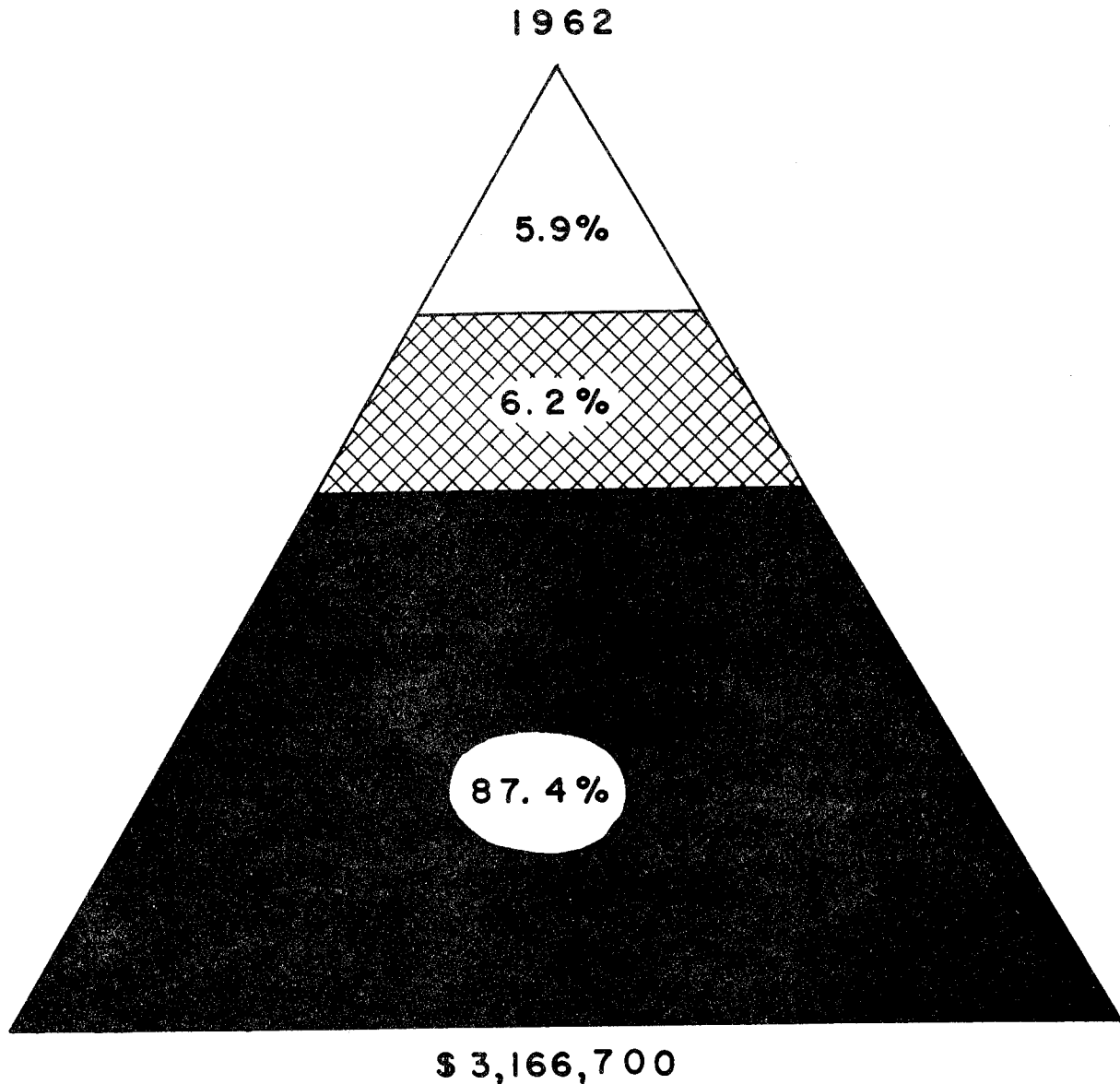
curtailed by the shortage of central office equipment in the FAirfax and FED-eral exchanges. Public telephone revenues should rise with the advent of pre-pay rather than postpay type of operation. Also the planned increase from 90 to 160 coin telephones, including 20 on Elmendorf Air Force Base, should support the revenue estimate. Other local service revenues show a slight increase.




TOLL REVENUES show an increase of 6.3% in dollar volume over 1961. However, until additional facilities can be added to permit more calls to be originated, and a new toll settlement negotiated with the Alaska Communications System, no drastic increase in revenue can be expected. A new agreement with A.C.S. will be negotiated when adequate methods of measuring traffic, and means to separate toll facilities have been procured. It is expected that 1963 may see this possible.

MISCELLANEOUS REVENUES show a substantial increase is expected as a result of recognizing the previous inadequacies of installation and move charges. The new rates, plus the new regulations governing the charges for installations are responsible for the increase. Directory revenues will be unchanged as per contract with the Northern Publishing Company. Studies are being made however, to determine whether the revenues received are at least equal to those realized by other operating companies stateside.

NON-OPERATING REVENUE in the form of a depreciation reserve amounting to \$483,080 reflects the expected loss of economic value of components of the whole system. Effective with this budget, the rate of depreciation of the various items have been revised to parallel more nearly those accepted by the various state regulatory bodies in the "south 48". As in prior years the major share of the \$483,080 is plowed back into the business in the form of construction funds.

CITY OF ANCHORAGE-TELEPHONE UTILITY
OPERATING REVENUE - SOURCE



-  LOCAL REVENUE
-  TOLL REVENUE
-  OTHER REVENUE

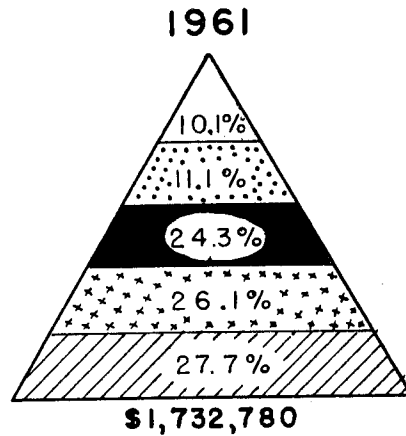
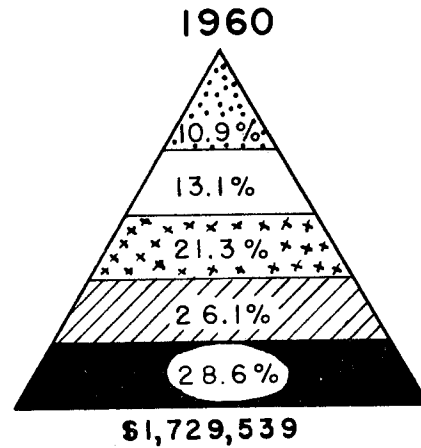
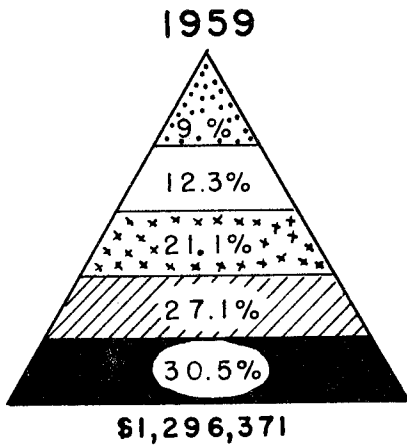
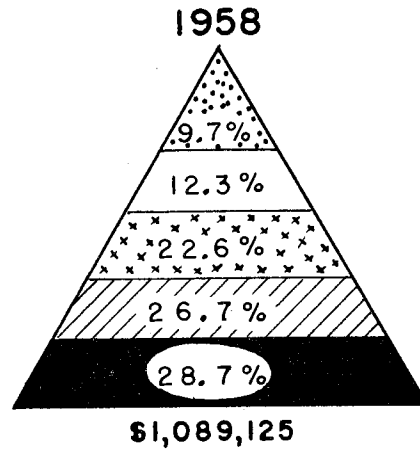
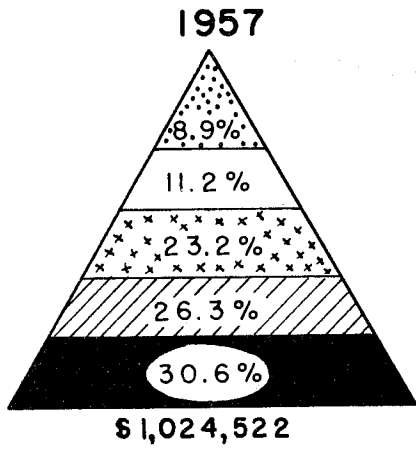
TELEPHONE UTILITY

1962 BUDGET

SUMMARY OF ANTICIPATED EXPENDITURES

<u>Code</u>	<u>OPERATION EXPENSE</u>	<u>Estimated 1961</u>	<u>Estimated 1962</u>
2624	Operators Wages	\$ 135,000	\$ 132,000
2702	Vehicle and Other Work Equipment	6,000	- -
2704	Stores Expense	6,000	- -
2707	House Service	20,000	- -
2610	Maintaining Transmission Power	7,400	8,000
	Total Operation Expense	\$ 174,400	\$ 140,000
 <u>REPAIRS AND MAINTENANCE</u> 			
2602.1	Pole Lines	\$ 9,000	\$ 13,950
2602.2	Aerial Cable	59,158	56,300
2602.3	Underground Cable	8,000	8,850
2602.4	Buried Cable	1,000	1,150
2602.6	Aerial Wire	270	560
2602.7	Underground Conduit	3,325	3,400
2603	Test Desk	40,325	52,000
2604	Central Office Equipment	135,000	195,000
2605	Station Equipment	140,000	276,350
2606	Building and Grounds	7,000	15,750
2602.9	Engineering	8,603	35,200
2706	Plant Supervision	8,000	10,990
	Total Repairs and Maintenance	\$ 419,681	\$ 669,500
 <u>ADMINISTRATIVE AND GENERAL EXPENSE</u> 			
2645	Local Commercial Operations	\$ 90,000	\$ 77,000
2649	Directory	7,000	10,000
2642	Advertising	6,000	15,000
2661	Executive	40,000	38,500
2662	Accounting and Collection	199,337	224,720
2664	Legal	13,355	17,130
2665	Uncollectible	10,000	10,000
2668	Insurance	28,640	27,300
2671	Operating Rents	40,000	54,000
2675	General Services	19,035	23,600
2676	Other Expense (Engineering)	- -	85,280
	Total Adm. and General Expense	\$ 453,367	\$ 582,530
	 TOTAL OPERATING EXPENSE	 \$ 1,047,448	 \$ 1,392,030

CITY OF ANCHORAGE - TELEPHONE UTILITY OPERATING REVENUE - EXPENDITURE



- REPAIRS & MAINTENANCE**
- ADMINISTRATION & GEN'L EXPENSE**
- DEPRECIATION**
- TAXES**
- OPERATION**

DEPRECIATION

2608	Depreciation Expense	\$ 480,000	\$ 483,080
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PAYMENT IN LIEU OF TAXES

	Payment to City of Anchorage	\$ 205,332	\$ 202,650
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NON-OPERATING EXPENSE

	Interest on Long Term Debt	\$ 229,279	\$ 207,570
2677	Less Operating Expense Charged to Construction	(9,100)	(9,100)
	Total	\$ 220,179	\$ 198,470

	TOTAL OPERATING EXPENSE & INTEREST	\$ 1,952,959	\$ 2,276,230
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PLANT UNDER CONSTRUCTION

	Construction Work in Progress	\$ 210,139	\$ 483,080
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OTHER REVENUE DEDUCTIONS

	Bond Retirement	\$ 481,000	\$ 540,000
	Transfers to General Fund	328,902	320,470
	Reserve for Bond Retirement	30,000	30,000
	Total Other Revenue Deductions	\$ 839,902	\$ 890,470

	TOTAL BUDGET	\$ 3,003,000	\$ 3,649,780
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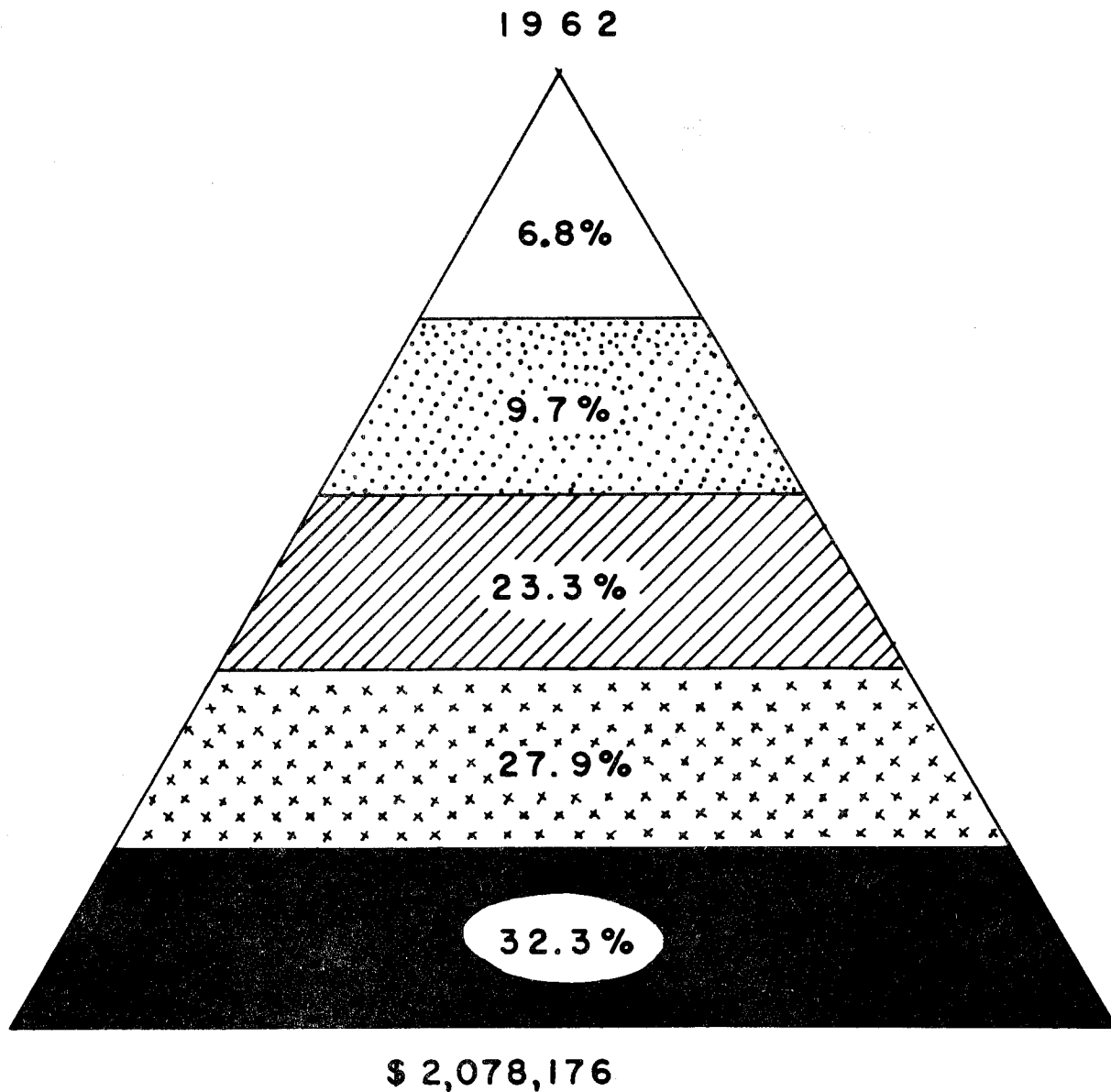
	Personnel Authorized	121	135
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BASIS FOR 1962 EXPENDITURE ESTIMATES:

OPERATIONAL EXPENSE shows a slight decline from 1961, however, this results from spreading the 2702, 2704, and 2707 expenses to other accounts. Rather than maintain separate accounts, periodically clearing them, it is more economical to spread them once.

A substantial increase has been made in the REPAIRS AND MAINTENANCE expense. This reflects both operational changes as well as accounting changes made in 1961. The largest increases are in the 2604 and 2605 accounts. In 2604 the \$40,000 increase represents changes in charging time and material. The 2605

CITY OF ANCHORAGE - TELEPHONE UTILITY OPERATING REVENUE - EXPENDITURE



-  REPAIRS & MAINTENANCE
-  ADMINISTRATION & GEN'L EXPENSE
-  DEPRECIATION
-  TAXES
-  OPERATION

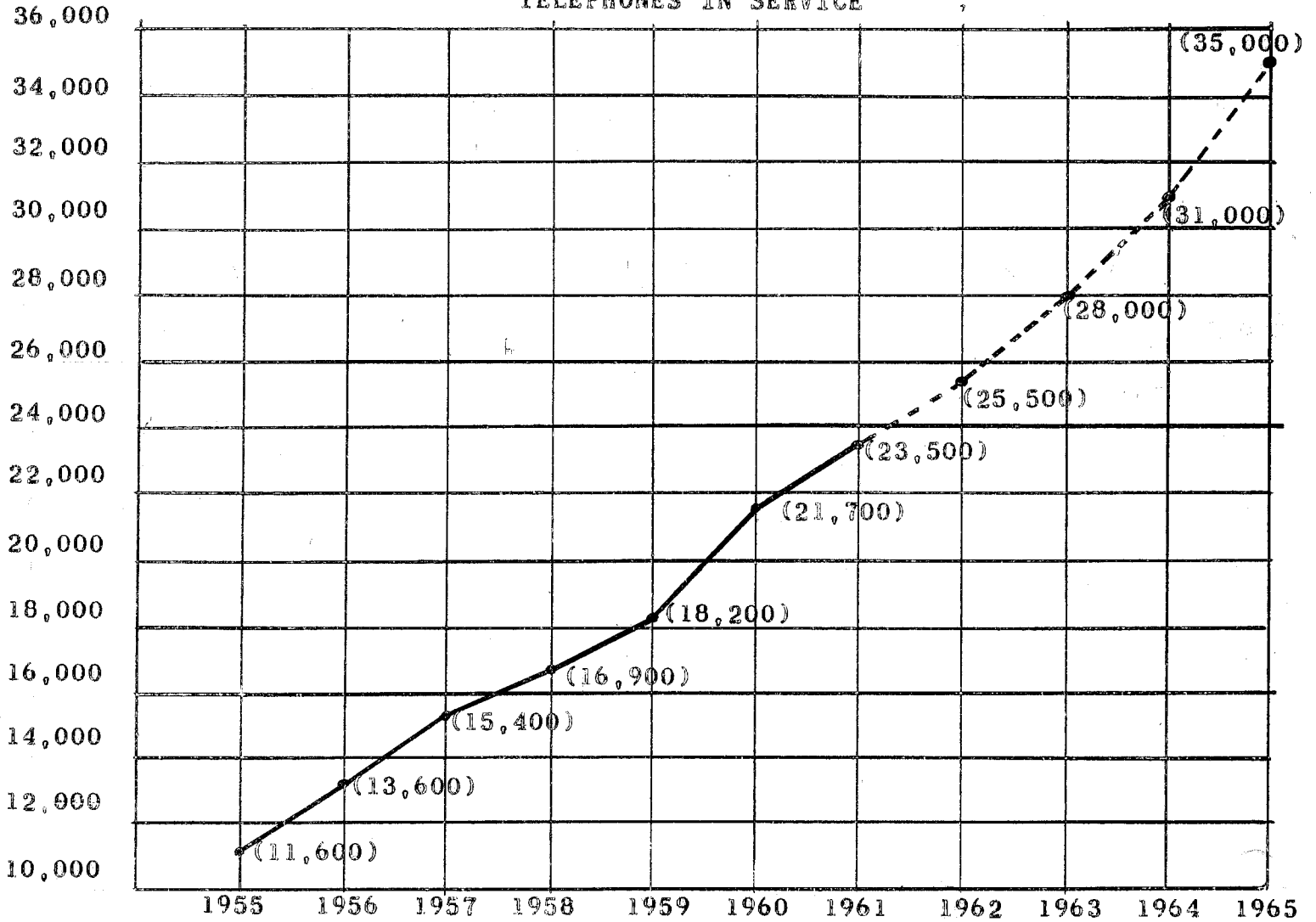
increase of \$136,350 comes about from operational changes. In 1961 a separate Maintenance section was established to properly care for routine station maintenance. Scheduled maintenance in the Government Hill area during 1961 reduced trouble calls in this section over 70%. It is planned to extend this program to all areas of the system. In addition, routine (monthly or bi-monthly) preventative maintenance visits were established for all large switchboard subscribers. A repair shop, equipped to rehabilitate telephones was also instigated. Rather than send telephones outside to be rebuilt and refurbished, the shop performs this operation at considerable saving in freight alone. A new account, 2602.9, to cover the Engineering associated with maintenance has also been created. Previously this expense was improperly charged to capital. Increase in all other accounts reflects the normal growth of the system.

The ADMINISTRATIVE AND GENERAL EXPENSE items have increased only nominally in all accounts previously used. In 1962 however, a new account, 2676 (Other Expense - Engineering), has been created for better control of engineering expense. The \$85,280 will cover those engineering costs that are necessary for future projects, projected studies and five and ten year cycle planning. As the projects become a reality the engineering time expended will be charged to the project. In event the project dies, or never gets underway, the engineering item will be expensed out. Funds for advertising have been increased to permit the establishment of a limited merchandising program.

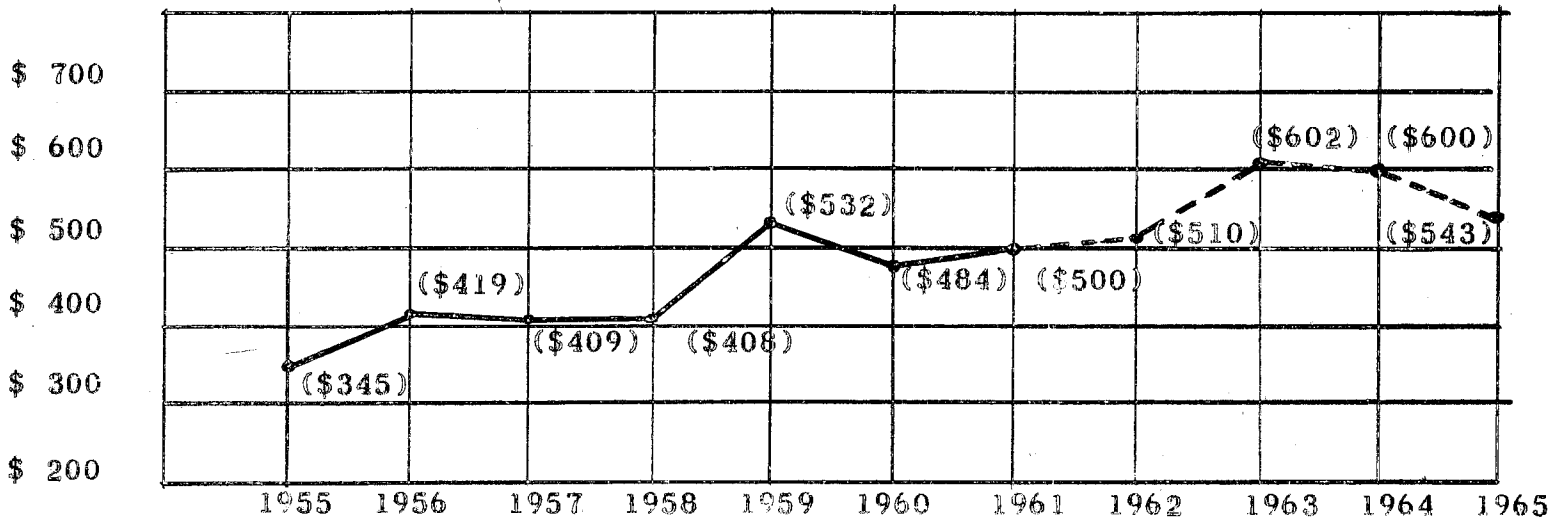
DEPRECIATION, TAXES AND INTEREST expense have been prefigured by the Controller, as have the amounts for BOND REDEMPTION, BOND REDEMPTION RESERVE, and CONTRIBUTION TO THE GENERAL FUND. It is planned that in 1962 the full \$483,080 of depreciation reserve will be plowed back into the system as PLANT UNDER CONSTRUCTION. From these funds it is expected that \$280,000 will go into the purchase of telephones, switchboards, key equipment and miscellaneous items of station equipment, with the remaining \$203,080 to be expended in new outside plant construction.

CITY OF ANCHORAGE - TELEPHONE UTILITY

TELEPHONES IN SERVICE



INVESTMENT PER TELEPHONE



CITY OF ANCHORAGE

TELEPHONE UTILITY

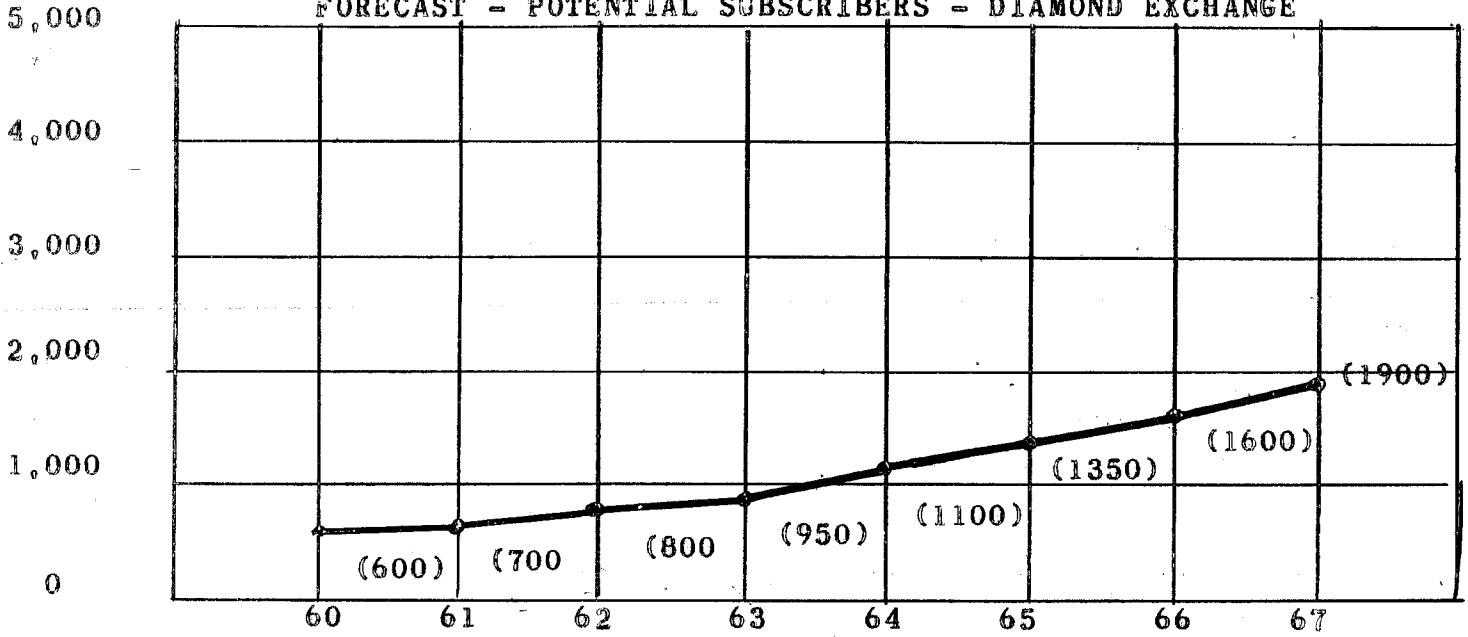
INCOME AVAILABLE FOR DEBT RETIREMENT

1962

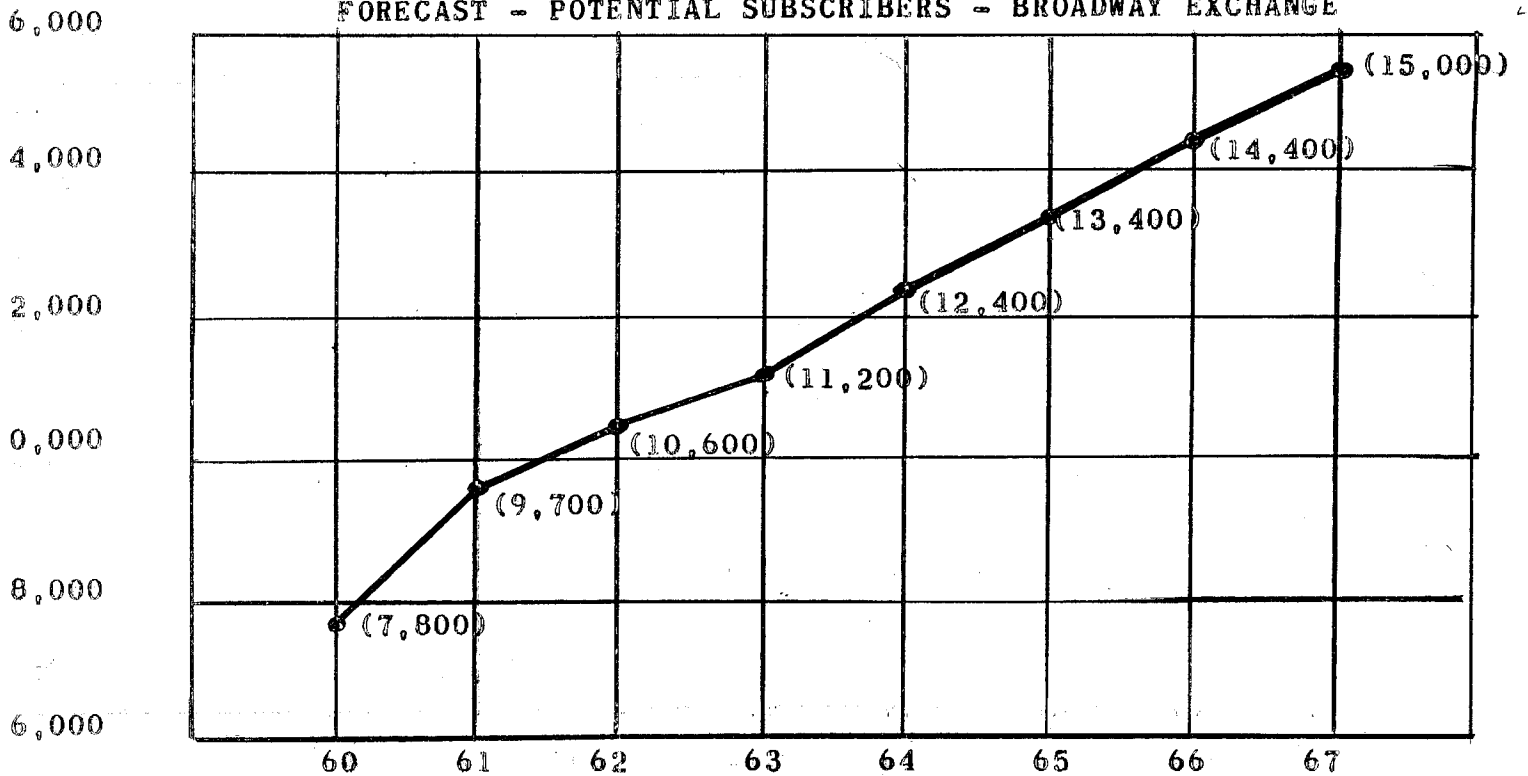
GROSS OPERATING REVENUE	.....	\$ 3,166,700
Less Operating Expense	.....	1,392,030
		<hr/>
NET INCOME AVAILABLE FOR INTEREST AND BOND RETIREMENT	.....	\$ 1,774,670
Requirement for Interest and Bond Retirement	.....	\$ 747,570
Ratio of Income Available to Income Required	.....	2.37

CITY OF ANCHORAGE - TELEPHONE UTILITY

FORECAST - POTENTIAL SUBSCRIBERS - DIAMOND EXCHANGE



FORECAST - POTENTIAL SUBSCRIBERS - BROADWAY EXCHANGE



1962 OPERATIONS PROGRAM

Incorporated in this budget is the financial planning to make basic operational and organizational changes. The start of this program was made in September 1961 with the employment of a Chief Telephone Engineer - Outside Plant. In 1962 it is expected to add a Chief Telephone Engineer - Inside Plant, and a Wire Chief. The Inside and Outside Engineer's prime responsibilities is planning, with secondary responsibilities of operational control of Plant Engineers and Central Office personnel. The Wire Chief will have direct responsibility for the Installation, Maintenance, PBX and Plant Service sections. The Construction Supervisor will be in charge of the Construction and Splicing forces.

In the fourth quarter of 1961 a field quality control program was instigated by the creation of a FIELD SAMPLER. This position entails selecting at random completed orders and analyzing them as to public relations, compliance with job specifications, application of correct principles of telephony and safety practices. Rated as Foreman level, the employee is responsible not only for quality analysis, but for formulating the programs and training necessary to correct deficiencies.

Increases in personnel for all sections, except Installations, have been budgeted. The total number of employees has changed little since 1959, being stabilized at 118-120. During this period the number of telephones has increased from 18,200 to an estimated 25,000 at the end of 1962. A 10% increase in force has been programmed.

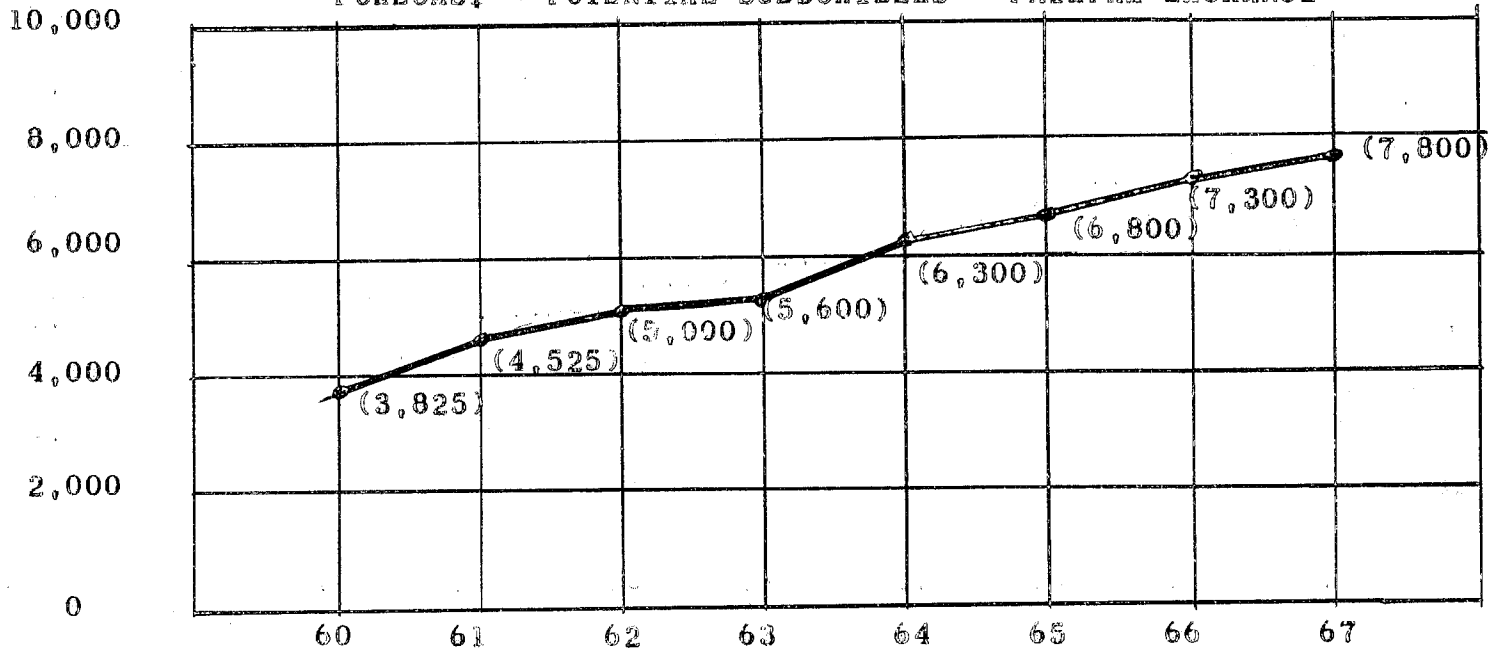
Plans for forming a Commercial Sales-Servicing force have been started. This is a most necessary function if the Utility is to recommend to the large and small business man the best possible service arrangements for his individual operation. Increased revenues resulting from service sold by this force will support it financially.

With the 'freezing' of the FEDERAL and FAIRFAX exchanges in the third quarter of 1961, the Utility will be engrossed in considerable programming to handle the delayed orders for service. A priority program has been established so that service to those subscribers engaged in services or industries that are essential to the public health and safety will be cared for first. Of necessity, new service will be installed only when an existing subscriber is disconnected. It is expected that by the end of 1962 a total of 1050 orders for main service will be held in both FEDERAL and FAIRFAX.

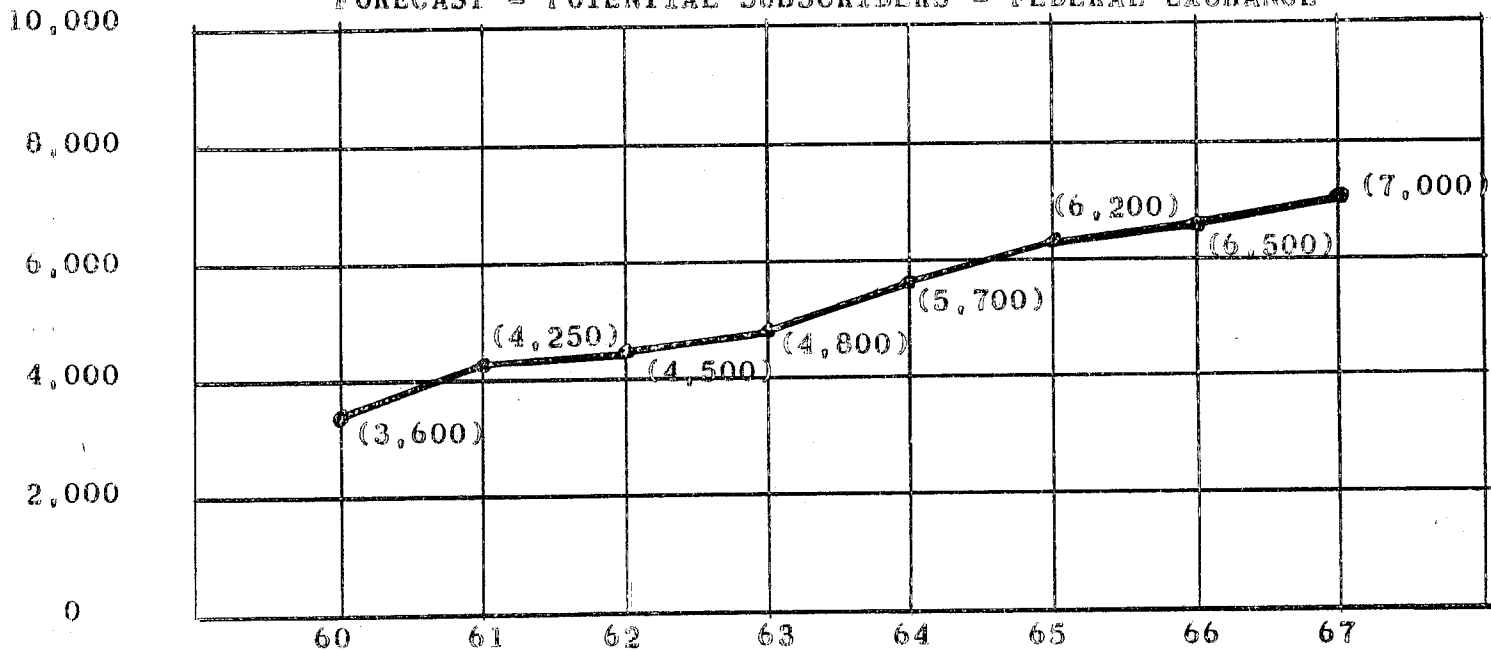
Early 1962 will see the conversion of the present postpay coin telephones to a local prepay operation. Two hundred numbers will be available initially, thus providing for a growth of 92 over the existing 108. Local prepay operation simply means that instead of dialing the number and then dropping the money when the called party answers, the user will deposit two nickels or

CITY OF ANCHORAGE - TELEPHONE UTILITY

FORECAST - POTENTIAL SUBSCRIBERS - FAIRFAX EXCHANGE



FORECAST - POTENTIAL SUBSCRIBERS - FEDERAL EXCHANGE



one dime, get dial tone and dial the number. Toll calls will be permitted and collected on a postpay basis by the Alaska Communication System.

Throughout 1962, efforts will be continued to improve the speed of installation, quality of service, and performance of personnel.

1962 CONSTRUCTION PROGRAM

In 1962, the funds available for new Outside Plant Construction are extremely limited. Projects scheduled are the 'bare bones' and represent less than 20% of the actual needs of the system.

The defeat of the \$4,000,000 bond proposal has caused postponement of projects that are essential to the growth and vitality of the system and area. All plans that have been projected were reviewed and a 'need priority' established. Those listed below are those which the Utility Management feels are the most essential under the funding program available.

BROADWAY EXCHANGE

1. Place two blocks of underground cable (400 pr.) to serve the new Hill (FAA) Building \$ 11,000
2. Place underground cable in existing conduit-
3/4 alley from C to E Street 10,000
4/5 alley from A to E Street 19,000
3. Provide entrance cable and terminals to new buildings either under construction or to be completed in 1962
\$ 5,000
\$ 45,000

FAIRFAX EXCHANGE

1. Place miscellaneous distribution cable and terminals to meet service demands in the area \$ 5,000

FEDERAL EXCHANGE

1. Reinforce the existing feeder cable on DeBarr and Lake Otis Roads, place distribution cable (300 pr.) to provide service for new Providence Hospital, Alaska Psychopathic Institute, and Alaska Methodist University \$ 75,000
2. Provide transmission improvements for Broadway-Federal trunking scheme 7,000
3. Place miscellaneous distribution cable and terminals to meet service demands in the area
\$ 6,000
\$ 88,000

DIAMOND EXCHANGE

1. Reinforce the existing feeder cable on the Anchorage-Seward Highway between the Diamond Exchange and O'Malley Road (600 pr)	\$ 60,000
2. Place miscellaneous distribution cable and terminals to meet service demands in the area	<u>5,000</u>
	\$ 65,000
TOTAL 1962 CONSTRUCTION	\$ 203,000

It should be emphasized that the \$203,000 will not provide physical plant to meet all demands for service, nor will it provide an appreciable future plant. It will care for service to essential institutions and some need requests for service. Beyond this point all other demands for service must be delayed until funding is available.

One of the biggest question marks for construction in 1962 is that of State Highway relocation projects. No funds have been allocated to care for State projects involving East Fifth Avenue, O'Malley Road, Anchorage-Seward Highway, Romig Hill-Hillcrest Drive, and Lake Otis-Dowling Road, all of which are scheduled to start in 1962. While it has been determined that the State can reimburse a Utility for costs incurred in relocating its plant, the amount of such reimbursement is subject to many factors. If the State of Alaska decides to activate any or all of her projects it has scheduled, the City must either advance the funds, or find other means to finance the relocation.

It is vital that the immediate and future telephone needs of the Greater Anchorage area be provided without delay and according to schedule. Those portions of the Fundamental Plan that are designed to be built in 1962 should be reviewed by Council to determine their urgency. The actual 1962 construction needs are available in a supplement to the Budget.

CITY OF ANCHORAGE - TELEPHONE UTILITY

FIVE YEAR EXPANSION PROGRAM

In the fall of 1960 a combination short term project-long range program method of forecasting was established.

It became immediately apparent that the capacity of the system could not match the expected economic growth of the City. Forecasts for the Federal and FAirfax exchanges showed they would be completely saturated by late 1961, while DIamond would exhaust about 1964. The BRoadway exchange would have a growth factor of only six hundred lines by the end of 1961, and any additional equipment would require a building addition.

Since additions to telephone systems require unusual engineering and manufacturing intervals that run 18 to 24 months before being cut into service, a short term project to expand the system was initiated. The situation was further complicated by the fact that, to provide sufficient financial support, a rate increase became part and parcel of the over-all project.

In the Spring of 1961 the project had jelled sufficiently so that one supplier was invited to give broad gauge estimates of what the program would cost. By summer, the rate case had been prepared and presented and an estimate of \$2,800,000 for new central office additions received. A complete five year expansion program was then designed.

This program would include the following:

- (a) add 1500 lines, 4,000 numbers to FAirfax.
- (b) add 1000 lines, 4,000 numbers to FEederal.
- (c) add 200 lines, 800 numbers to DIamond.
- (d) construct a new 5000 line, 8000 number central office.
- (e) modify existing BRoadway office to work with new additions.
- (f) rebuild the trunking scheme.

The total estimated cost of the program was \$4,000,000 with a completion date of late 1963. This program was designed to meet the needs for service through 1967. After that date a second five year program adding some 3500 lines and 6000 numbers would be required.

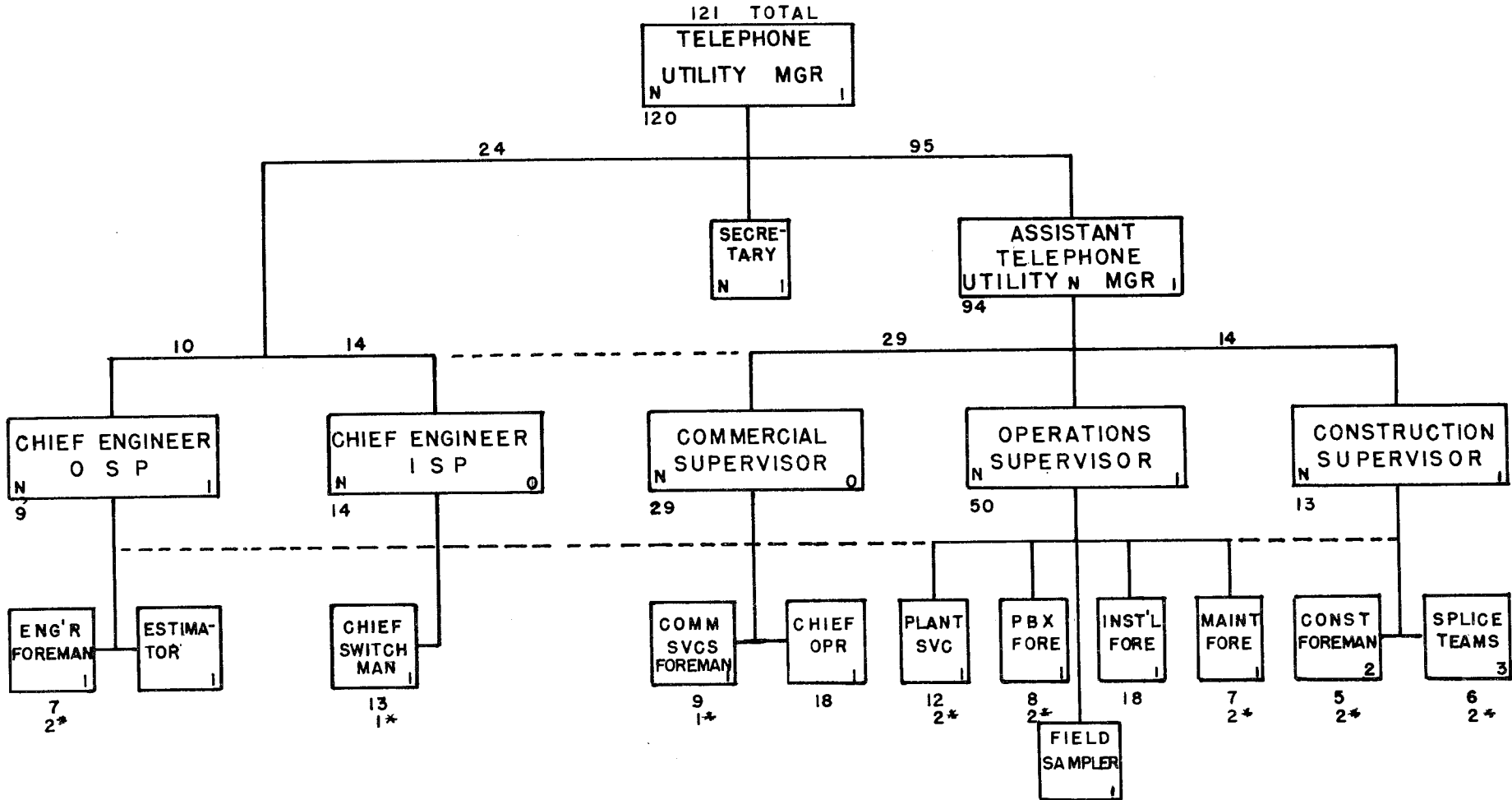
The Council approved placing a \$4,000,000 bond issue to the voters on the October 3, 1961 election ballot. On September 22, 1961, both the FAirfax and FEederal exchanges were 'frozen' for new service because of exhaustion of facilities. The voters then rejected, by a seven to three vote, authorization for the \$4,000,000 in new bonds.

The defeat of the bond proposal seriously hampers the efforts of the Telephone Utility to meet its primary mission - that of providing good telephone service. Of the \$4,000,000 program, nearly 40% was expected to provide improvements to the existing system - improvements such as adequate trunks between exchanges, retirement of equipment already considered obsolete by industry standards, addition of sorely needed coin telephone facilities, improved service to the military bases, and expanded facilities for large and small business customers.

The secondary mission of the Utility - that of not only keeping pace with, but anticipating the needs of, the growing economic posture of the Greater Anchorage Area - is abruptly halted. The value of telephone service is measured by its usefulness, or ability to reach other telephones. To prohibit the growth of the system not only diminishes the value of the telephone to the user, it effectively strangles the economic growth of the area served. Of the \$4,000,000 program, 60% was expected to provide for expansion of the system. The programmed expansion would meet forecasted requirements until the end of 1967.

Our original plan called for the Five Year Program to fill the years 1962-1967. We now must hold it - subject to constant review - until the funds are available.

CITY OF ANCHORAGE - TELEPHONE UTILITY 1962 ORGANIZATIONAL CHART



LEGEND

- DIRECT LINE OF AUTHORITY
- - - LIAISON OR TECHNICAL
- * ADDITIONS - 1962
- N NON-UNION