

CITY OF ANCHORAGE

1965

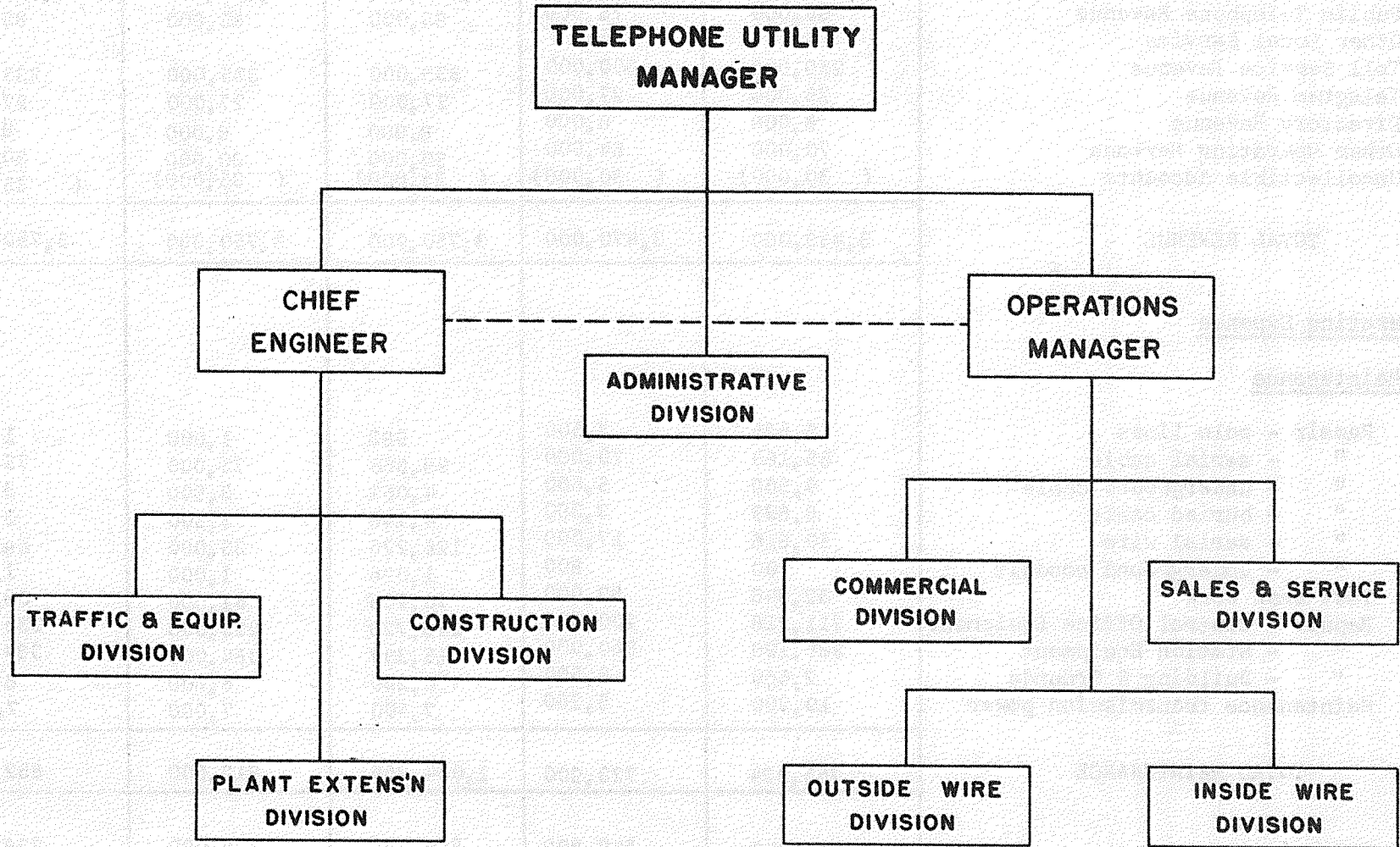
BUDGET

TELEPHONE UTILITY

DEPARTMENT Telephone Utility	OPERATING ACCOUNTS				SUMMARY		
CLASSIFICATION	ACTUAL COST 1962	ACTUAL COST 1963	ORIGINAL BUDGET 1964	ADJUSTED BUDGET 1964	DEPARTMENT REQUEST 1965	MANAGER RECOMMENDS 1965	COUNCIL APPROVED 1965
<u>Revenues</u>							
Subscriber Station Revenue	2,516,483	2,776,715	3,046,000	3,026,000	3,300,000	3,300,000	3,300,000
Public Telephone Revenue	34,236	48,668	60,000	75,000	85,000	85,000	85,000
Other Local Service	65,651	70,967					
Toll Service Revenue	224,974	234,882	250,000	300,000	335,000	335,000	335,000
Telegram Revenue	22,923	24,007	26,000	27,000	27,000	27,000	27,000
Directory Revenue	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Other Operating Revenue	179,270	61,543	70,000	64,000	30,000	30,000	30,000
Interest Revenue	17,199	13,513					
Uncollectible Accounts	( 10,000)	( 45,000)	( 30,000)	( 30,000)	( 35,000)	( 35,000)	( 35,000)
<b>TOTAL REVENUE</b>	<b>3,058,736</b>	<b>3,193,295</b>	<b>3,430,000</b>	<b>3,470,000</b>	<b>3,750,000</b>	<b>3,750,000</b>	<b>3,750,000</b>
<u>Expenses</u>							
Maintenance & Repair	629,579	789,573	765,024	723,900	1,034,256	812,600	852,600
Depreciation	515,956	555,249	549,800	549,800	866,735	728,000	728,000
Traffic Expense	138,358	149,881	160,996	156,300	188,381	171,700	171,700
Commercial Expense	110,612	155,648	133,330	145,000	190,915	141,000	141,000
General Office Salary and Expense	306,964	289,852	326,130	344,800	415,386	353,000	353,000
Other Operating Expense	139,764	112,209	77,816	133,296	-124,534	124,500	124,500
Payment in Lieu of Tax	197,040	205,635	174,860	174,860	175,000	187,900	187,900
Extraordinary Retirements							
Interest Expense	236,850	195,472	183,676	183,676	251,621	251,621	251,621
Charge to Construction	( 9,100)	( 60,000)	( 60,060)	( 60,060)	( 62,480)	( 62,500)	( 62,500)
<b>TOTAL EXPENSE</b>	<b>2,266,023</b>	<b>2,393,519</b>	<b>2,311,572</b>	<b>2,351,572</b>	<b>3,184,348</b>	<b>2,707,821</b>	<b>2,747,821</b>
<b>Net Income</b>	<b>792,713</b>	<b>799,776</b>	<b>1,118,428</b>	<b>1,118,428</b>	<b>565,652</b>	<b>1,042,179</b>	<b>1,002,179</b>



# TELEPHONE DEPARTMENT



----- LIAISON

DEPARTMENT		OPERATING ACCOUNTS		DETAIL		
Telephone Utility						
CODE	CLASSIFICATION	ORIGINAL BUDGET 1964	ADJUSTED BUDGET 1964	DEPARTMENT REQUEST 1965	MANAGER RECOMMENDS 1965	COUNCIL APPROVED 1965
	<u>Operating Revenues</u>					
2500	Subscriber Station Revenue	3,046,000	3,026,000	3,300,000	3,300,000	3,300,000
2501	Public Telephone Revenue	60,000	75,000	85,000	85,000	85,000
2506	Other Local Service					
2510	Toll Service Revenue	250,000	300,000	335,000	335,000	335,000
2521	Telegram Revenue	26,000	27,000	27,000	27,000	27,000
2523	Directory Revenue	8,000	8,000	8,000	8,000	8,000
2526	Other Operating Revenue	70,000	64,000	30,000	30,000	30,000
2530	Uncollectible Accounts	( 30,000)	( 30,000)	( 35,000)	( 35,000)	( 35,000)
	TOTAL REVENUE	3,430,000	3,470,000	3,750,000	3,750,000	3,750,000
	<u>Operating Expense</u>					
	<u>Maintenance</u>					
2602.1	Repair - pole lines	6,535	3,500	983	1,000	1,000
2602.2	" - aerial cable	65,160	70,000	99,666	75,000	75,000
2602.3	" - underground cable	9,500	5,600	4,061	3,500	3,500
2602.4	" - buried cable	8,699	3,300	4,146	3,500	3,500
2602.6	" - aerial wire	50,616	17,000	126,226	35,000	68,000
2602.7	" - underground conduit	700	800	1,026	1,000	1,000
2603	Test Desk Work	32,846	52,000	70,263	61,000	68,000
2604	Repair - Central Office Equipment	211,218	200,000	298,728	235,000	235,000
2605	" - Station Equipment	366,190	360,000	415,397	384,000	384,000
2606	" - Building & Grounds	2,660	6,500	6,260	6,600	6,600
2610	Maintenance transmission power	10,900	5,200	7,500	7,000	7,000
	TOTAL MAINTENANCE	765,024	723,900	1,034,256	812,600	852,600
2608	<u>Depreciation</u>	549,800	549,800	866,735	728,000	728,000

DEPARTMENT Telephone Utility		OPERATING ACCOUNTS			DETAIL		
CODE	CLASSIFICATION	ORIGINAL BUDGET 1964	ADJUSTED BUDGET 1964	DEPARTMENT REQUEST 1965	MANAGER RECOMMENDS 1965	COUNCIL APPROVED 1965	
	<u>Traffic</u>						
2621	General Traffic Supervision	6,486	4,200	4,725	4,700	4,700	
2624	Operator's Wages	150,510	150,000	181,306	165,000	165,000	
2631	Miscellaneous Expense	4,000	2,100	2,350	2,000	2,000	
	TOTAL TRAFFIC EXPENSE	160,996	156,300	188,381	171,700	171,700	
	<u>Commercial</u>						
2641	Telephone Booth						
2642	Advertising Expense	15,000	1,500	10,000	5,000	5,000	
2643	Sales Expense	30,800	15,000	33,644	25,000	25,000	
2645	Local Commercial Operations	68,870	110,000	132,114	96,000	96,000	
2648	Public Telephone Commission	5,000	4,300	5,000	5,000	5,000	
2649	Directory Expense	13,660	14,200	10,157	10,000	10,000	
	TOTAL COMMERCIAL EXPENSE	133,330	145,000	190,915	141,000	141,000	
	<u>General Office</u>						
2661	Executive Department	57,500	47,000	52,918	53,000	53,000	
2662	Accounting and Collection	240,729	275,000	342,456	280,000	280,000	
2664	Legal Department	15,828	14,400	13,300	13,300	13,300	
2665	Other General Expense	12,073	8,400	6,712	6,700	6,700	
	TOTAL GENERAL OFFICE EXPENSE	326,130	344,800	415,386	353,000	353,000	
	<u>Other Operating</u>						
2668	Insurance	11,970	34,000	39,023	39,000	39,000	
2671	Operating Rents	38,000	48,000	36,000	36,000	36,000	
2672	Relief and Pension	21,846	39,996	44,511	44,500	44,500	
2673	Telephone Franchise Requirement	14,000	14,000	20,000	20,000	20,000	
2674	General Service & Supervision	1,000	-0-				
2675	Other Expense	5,000	11,300	5,000	5,000	5,000	
2676	Telephone Franchise Requirement	(14,000)	( 14,000)	( 20,000)	( 20,000)	( 20,000)	
	TOTAL OTHER OPERATING EXPENSE	77,816	133,296	124,534	124,500	124,500	

DEPARTMENT Telephone Utility		OPERATING ACCOUNTS		DETAIL		
CODE	CLASSIFICATION	ORIGINAL BUDGET 1964	ADJUSTED BUDGET 1964	DEPARTMENT REQUEST 1965	MANAGER RECOMMENDS 1965	COUNCIL APPROVED 1965
2305	Payments in Lieu of Tax	174,860	174,860	175,000	187,900	187,900
	<u>Non-operating Expense</u>					
2335	Interest	183,676	183,676	251,621	251,621	251,621
	TOTAL NON-OPERATING EXPENSE	183,676	183,676	251,621	251,621	251,621
	TOTAL EXPENSE	2,371,632	2,411,632	3,246,828	2,770,321	2,810,321
2677	Less Operating Expense Charge to Construction	(60,060)	(60,060)	(62,480)	(62,500)	(62,500)
	Adjusted Expense	2,311,572	2,351,572	3,184,348	2,707,821	2,747,821
	Net Income	1,118,428	1,118,428	565,652	1,042,179	1,002,179

DEPARTMENT Telephone		DIVISION		ACCOUNT TITLE		ACCOUNT NUMBER		PERSONNEL SCHEDULE			
POSITION TITLE		GRADE	PAY RANGE	ORIGINAL BUDGET 1964	ADJUSTED BUDGET 1964	DEPARTMENT REQUEST 1965		MANAGER RECOMMENDS 1965		COUNCIL APPROVED 1965	
<b>MANAGEMENT</b>											
Manager	39	1480-1732	1	1	1	18,651	1	18,651	1	18,651	
Operations Manager	34	1217-1423	1	1	1	16,404	1	16,404	1	16,404	
Chief Engineer	34	1217-1423	1	1	1	15,180	1	15,180	1	15,180	
Traffic & Equip. Engr.	32	1125-1315	1	1	1	13,500	1	13,500	1	13,500	
Outside Wire Chief	32	1125-1315	1	1	1	14,604	1	14,604	1	14,604	
Inside Wire Chief	32	1125-1315	1	1	1	13,500	1	13,500	1	13,500	
Construction Supervisor	32	1125-1315	1	1	1	13,500	1	13,500	1	13,500	
Admn. Serv. Supervisor	32	1125-1315	1	1	1	13,500	1	13,500	1	13,500	
Commerical Manager	30	1040-1217	1	1	0	0	0	0	0	0	
Plant Accountant	30		0	0	1	13,500	0	0	0	0	
Commercial Supervisor	25	854-1000	0	0	1	10,248	1	10,248	1	10,248	
Plant Extension Engineer	32	1125-1315	1	1	1	13,500	1	13,500	1	13,500	
Sales & Service Supv.	32	1125-1315	1	1	1	13,500	1	13,500	1	13,500	
Communications Consultant	27	925-1081	1	1	1	11,544	1	11,544	1	11,544	
Custodian	8	438-513	2	2	3	16,020	3	16,020	3	16,020	
Secretary	15	577-674	0	0	1	6,924	1	6,924	1	6,924	
Clerk Steno II	11	456-534	2	2	1	6,408	1	6,408	1	6,408	
			16	16	18	210,483	17	196,983	17	196,983	
<b>COMMERCIAL SECTION</b>											
Business Office Supv.		5.46/hr.	1	1	1	12,122	1	12,122	1	12,122	
Service Rep I		3.57	3	3	5	41,773	4	33,744	4	33,744	
Service Rep II		3.73	2	2	3	26,889	3	26,979	3	26,979	
Service Order Clerk		3.73	1	1	1	7,929	1	7,929	1	7,929	
Directory Clerk		3.73	1	1	1	9,601	1	9,601	1	9,601	
Billing Clerk		3.73	1	1	1	10,056	1	10,056	1	10,056	
Sales & Service Rep I			0	0	1	6,215	0	0	0	0	
			9	9	13	114,585	11	100,431	11	100,431	
<b>TRAFFIC SECTION</b>											
Chief Operator		4.71/hr.	1	1	1	10,036	1	10,036	1	10,036	
Senior Operator		4.19	4	4	4	42,664	4	42,664	4	42,664	
Operator		3.73	7	7	12	101,506	10	96,465	10	96,465	
Traffic Clerk		3.57	1	1	1	8,166	1	8,166	1	8,166	
Part-Time Operator		3.73	4	4	5	12,650	5	12,650	5	12,650	
			17	17	23	175,022	21	169,981	21	169,981	



DEPARTMENT Telephone		DIVISION	ACCOUNT TITLE		ACCOUNT NUMBER		PERSONNEL SCHEDULE				
POSITION TITLE		GRADE	PAY RANGE	ORIGINAL BUDGET 1964	ADJUSTED BUDGET 1964	DEPARTMENT REQUEST 1965		MANAGER RECOMMENDS 1965		COUNCIL APPROVED 1965	
<b>CENTRAL OFFICE SECTION</b>											
Chief Switchman			7.08/hr.	1	1	1	15,065	1	15,065	1	15,065
Foreman			6.99	1	1	1	15,225	1	15,225	1	15,225
Sub-Foreman			6.50	3	3	3	41,880	3	41,880	3	41,880
Switchman			6.21	7	7	9	115,492	9	115,492	9	115,492
Apprentice			4.66	2	2	1	9,796	0	0	0	0
				14	14	15	197,458	14	187,662	14	187,662
<b>PLANT SERVICE SECTION</b>											
Plant Service Foreman			6.99	1	1	1	16,524	1	16,524	1	16,524
Field Sampler			6.99	1	1	0	0	0	0	0	0
Line Assigner			6.21	4	4	4	60,640	4	60,640	4	60,640
Line Assignment Clerk			3.57	2	2	3	26,834	2	18,319	3	27,479
Repair Clerk			3.57	2	2	2	15,565	2	15,565	2	15,565
Test Boardman			6.21	2	2	2	30,879	2	30,879	3	46,319
Plant Dispatch Clerk			3.57	1	1	1	9,206	1	9,206	1	9,206
Locate Clerk			3.57	0	0	1	8,861	1	8,861	1	8,861
Estimate Assigner				0	0	1	14,636	1	14,636	1	14,636
				13	13	15	183,145	14	174,630	16	199,230
<b>INSTRUMENT REPAIR SECTION</b>											
Sub-Foreman			6.50	1	1	1	14,118	1	14,118	1	14,118
Repairman			6.21	0	0	1	12,431	1	12,431	1	12,431
Shop Repairman			5.78	1	1	1	11,867	1	11,867	1	11,867
				2	2	3	38,416	3	38,416	3	38,416
<b>INSTALLATION SECTION</b>											
Installation Foreman			6.99	1	1	1	14,861	1	14,861	1	14,861
Installer/Repairman			6.21	14	14	15	204,130	15	204,130	18	244,954
Apprentice			4.66	1	1	0	0	0	0	0	0
				16	16	16	218,991	16	218,991	19	259,815
<b>PBX AND KEY SECTION</b>											
PBX Foreman			6.99	1	1	1	16,237	1	16,237	1	16,237
PBX Sub-Foreman			6.50	1	1	1	14,626	1	14,626	1	14,626
PBX Installer/Repairman			6.21	13	13	13	188,279	13	188,279	16	231,719
				15	15	15	219,142	15	219,142	18	262,582

DEPARTMENT Telephone		DIVISION		ACCOUNT TITLE		ACCOUNT NUMBER		PERSONNEL SCHEDULE			
POSITION TITLE		GRADE	PAY RANGE	ORIGINAL BUDGET 1964	ADJUSTED BUDGET 1964	DEPARTMENT REQUEST 1965		MANAGER RECOMMENDS 1965		COUNCIL APPROVED 1965	
<u>MAINTENANCE SECTION</u>											
Maintenance Foreman			6.99/hr.	1	1	1	16,493	1	16,493	1	16,493
Installer/			6.21	7	7	9	130,003	9	130,003	10	144,450
				8	8	10	146,496	10	146,496	11	160,943
<u>WAREHOUSE &amp; MOTOR EQUIP SEC.</u>											
Head Warehouseman			5.71	0	0	1	12,631	1	12,631	1	12,631
Warehouseman			5.23	0	0	2	21,038	1	10,519	1	10,519
				0	0	3	33,669	2	23,150	2	23,150
<u>CONSTRUCTION/SPLICING SEC.</u>											
Construction Foreman			6.99	2	2	2	33,320	1	17,095	1	17,095
Construction Sub-Foreman			6.50	0	0	1	15,823	1	15,823	1	15,823
Lineman			6.21	4	4	5	73,959	5	73,959	5	73,959
Cable Splicer			6.99	2	2	4	66,573	2	34,056	2	34,056
Cable Splicer Helper			6.21	3	3	4	56,998	2	29,101	2	29,101
				11	11	16	246,673	11	170,034	11	170,034
<u>ENGINEERING SECTION</u>											
Engineering Foreman			6.99	1	1	1	16,826	1	16,826	1	16,826
Plant Engineer II			6.52	1	1	1	14,265	1	14,265	1	14,265
Plant Engineer I			6.21	5	5	5	70,207	3	41,652	3	41,652
Engineering Fieldman			5.28	3	3	1	13,039	0	0	0	0
Records Engineer			5.90	1	1	1	11,552	1	11,552	1	11,552
Draftsman/Woman			5.28	0	0	3	34,163	1	11,846	1	11,846
Clerk Steno (Clerk III)			3.73	1	1	2	16,784	1	8,432	1	8,432
				12	12	14	176,836	8	104,573	8	104,573
<u>ACCOUNTING SECTION</u>											
Clerk Steno				1	1	0	0	1	7,484	1	7,484
Accountant I			2.80	0	0	1	7,599	0	0	0	0
Payroll Clerk			4.17	0	0	1	8,688	0	0	0	0
				1	1	2	16,287	1	7,484	1	7,484
<b>TOTALS</b>				134	134	163	1,977,203	143	1,757,973	152	1,881,284

NOTES:

- 1) Approved 1964 budget provided for total operational wages of \$1,586,992. The recommended increase in 1965 totals \$170,985. This includes wage increases of approximately \$114,077 (4% 1964-65 and six paid holidays starting 15 May 1965) and longevity increases.
- 2) The balance of \$56,908 results from the addition of ten employees to the total force - as follows:
  - a) Management (1) - The completion of the North Wire Center and Plant Service Buildings have resulted in increased needs for Janitorial service. Thereby the Classified position of Custodian has been increased from two to three.
  - b) Commercial Section (2) - The increased demands of the impending cut-over in mid-summer 1965 and the adding of an expected 1500 new accounts in the last half of 1965 require a minimal increase of two Service Representatives. This requirement may change pending the outcome of a current study that is exploring the merging of the Utility's Commercial Section and the Utility Billing Section of the City Hall forces. Undoubtedly the total force requirements of both Sections under the amalgomated plan will result in a reduction of total personnel requirements.
  - c) Traffic Section (4) - Prior to the mid-summer cut-over, two new positions of Dial Service Assistance (Information - both Local and Toll) will be placed in service. This increase from four to six positions requires additional personnel to maintain proper coverage on a 24 hour basis. This Utility will add three regular operators and one part-time operator.
  - d) Plant Service Section (1) - The increased service order activity engendered by the impending cut-over, the anticipated addition of new subscribers, and the added work of preparing new plant records to merge the new construction of cable into the over-all system requires additional personnel in the cable assignment section. Two line assignment personnel are added and the Sampler is dropped.
  - e) Instrument Repair Section (1) - The Utility operates a complete rehabilitation and rebuild shop for telephone instruments and special service equipment (answering devices, switchboards and key systems). Instruments at the rate of 800 per month are refurbished and returned to use. The heavy increase in switchboard and key systems, and the normal gain in telephone instruments in service requires that one additional instrument repairman be added to keep up with the additional work load.

- f) Maintenance Section (2) - In addition to the repair of all trouble reported, other than those in the Central Offices, the Maintenance Section is used to effect the transfer from old or retired wire and cable to new facilities. During 1964 a considerable amount of this work had to be deferred because of a lack of manpower - in 1965 continued deferments will be necessary, but certain portions must be accomplished to meet the needs of the impending cut-over. Further, during the latter half of 1965 it is expected that certain personnel of this Section will be used to assist in the installation of what are new held orders for new service. To accomplish this two additional Installer/Repairmen are programmed.
- g) Warehouse and Motor Equipment Section (2) - Coincident with the completion of the Plant Service Building in October 1964, the Utility started operating its own warehouse facility, as well as the fueling of its motor fleet. To accomplish these tasks two new personnel are required. It should be noted that the City Warehouse staff was reduced by one employee, when the Telephone functions formerly performed, were assumed by the Utility.
- 3) Force Reductions as follows:
- a) Engineering Section (-4) - With no 1965 capital program funding available, the requirements of the Engineering Section will be held to completing those 1964 authorized specific projects remaining to be done, plus a minor amount of routine engineering. Future planning will continue, as will population studies, but actual production work will be curtailed. Accordingly two Plant Engineer I and two Engineering Fieldmen will be released prior to 1 January 1965 and one Engineering Fieldman will be reclassified to Draftsman/Woman.

TELEPHONE UTILITY  
DISCUSSION OF REVENUE ESTIMATE  
1965 OPERATING BUDGET

The total Operating Revenue for 1965 is estimated at \$3,750,000 - an increase of \$280,000 over the adjusted 1964 Operating Revenue.

Of this projected increase, \$274,000 is expected to be realized from Subscriber Station Revenue (the monthly billing for telephone service). This increase comes primarily from increased usage by existing subscribers of key systems, switchboard systems, answering devices and extension telephones. Council will recall that until mid-summer 1965 the Utility is unable to add new customers to the system because of a lack of terminating equipment and numbers. The completion of the North and South Wire Centers, and their associated equipment in mid-summer 1965 will relieve this situation. However, the subscribers added in the last half of 1965 will not materially affect the revenue picture until 1966 when a full year's revenue can be realized.

Coin telephone revenue is expected to yield an additional \$10,000 as a result of increased capacity in this specialized equipment coincidental with the addition of the North and South Wire Centers. One of the major problems associated with extending this service is the elimination of "flat rate abuse" in bars and taverns. Flat rate abuse is simply where the retail establishment provides free telephone service to its patrons where coin service is designed to be used. The Utility is currently engaged in an educational program with owners and operators of these establishments to emphasize the value and advantage of coin service.

Toll service revenue - or the City's share of toll call revenue generated is up \$85,000 from the 1964 original revenue projection and \$35,000 over the 1964 adjusted projection. This is primarily the result of the City-Alaska Communication System negotiating the rate per message from \$ .687 to \$ .9399 in late April 1964. Efforts are being continued by the City to secure a greater share.

A reduction of \$34,000 from the adjusted 1964 projection for Other Operating Revenue is predicted upon the City's proposed policy of eliminating penalty charges for delinquent billing effective 1 July 1965. In effect the Utility has programmed revenues from this source for the first six months only.

It is of interest that revenues lost because of loss of subscribers, dislocation of business, etc., immediately following the "quake" in March were regained by early Fall and that in the year end figure for total revenue the projections made for 1964 were, in effect, reached.

TELEPHONE UTILITY  
ASSESSMENT OF OPERATING AND CAPITAL EXPENDITURES  
1965

OPERATIONAL

The total revenue and expense estimate for 1965 by the Utility yields a Net Income of \$565,652 - insufficient to meet the debt requirements and the Contribution to the General Fund of \$1,047,880. In keeping with the policy of the City Council to use the Contribution of the Utility in lieu of an industrial tax base, and in keeping with the City's commitment to the public during the 1962 bond referendum - adjustments in total expense had to be made. These adjustments, amounting to \$476,527 are clearly indicated by comparing the Department Request column, and the City Manager's recommendation column of the budget detail for the Utility.

Obviously, in order to "live within its income" the Utility must reduce programmed expenditures from the level that it would prefer to use. While it is almost universally recognized that the quality of service now being rendered is not good, the Utility must keep in working order, what it now has; while at the same time phase in its service improvements that are expected at mid-summer 1965, and to prepare for the system capability of double capacity. At present the system is operating at 98% of capacity - i.e. - 9500 lines and 17,200 numbers. In fact, some exchanges, Federal, for example, has a capacity of 1200 lines; and on November 6, 1964 this exchange had 1192 lines in service. With the advent of Phase I, the capacity will reach 23,000 lines and 32,000 numbers; it is expected that 1500 new subscribers will be added in the last half of 1965, and the balance of those orders on hand today, in 1966.

In its expense programming the Utility attempted to step up the use of the expanded capacity in 1965; to make maximum use of its new plant at the earliest possible date - but a realistic appraisal of the funding available for this program indicates that deferments and curtailments in service must be made.

While such deferments and curtailments will not affect the actual changeover to the improved plant, it will have effects as follows:

a) Maintenance Accounts (2602.1-2602.7: 2603, 2604 and 2605 et al)

It is in this area that major deferment and curtailment must take place. In Repair of Aerial Cable it is necessary to defer the programming of two additional employees for this work. This deferment will be felt in the area of transferring old plant, temporary plant, into the new permanent cables installed in 1964 and 1965. It can be expected that costs will increase because of required maintenance of temporary plant and the requirement to maintain two sets of plant records - i.e. - old and new. Full utilization of the new facilities placed must, of necessity, wait until additional funding can be made under Phase II of the Utility's master plan. Essentially the same situation is involved with Account 2602.6 Repair of Aerial Wire. As in the case of all of the maintenance Accounts considerable additional expense (estimated from 50% to 100%) is engendered by reason of a large capital improvement program. By reason of the FCC Uniform System of Accounting, which the City adheres to, the Maintenance Accounts must reflect the hours, and thus the expense of implementing the new plant constructed. For example: for years the City has used thousands of feet of "temporary wire" to service subscribers simply because funds were not available to construct permanent cable plant. Now that permanent feeder and distribution plant is available it is proper that the temporary facilities be

transferred or retired. In the case of aerial wire this must be deferred until later and the programmed five additional people not be engaged. The continued maintenance of the old plant will undoubtedly be expensive, but cannot be rectified until additional funds are available. The 2603 Account - Test Desk Work has a direct relationship with Repairs of aerial Cable and Wire - wherein the Utility programmed additional people to care for this work it is also necessary to program the necessary test board people. The Utility is adding two additional testboard positions in 1965 for a total of four, but it is not possible to utilize them fully. The additional positions are required during cutover, and to meet the expanded capabilities of the system after the cutover - but with a reduction of the scope of work to be accomplished under 2602.2 and 2602.6 it is only logical to defer likewise the additional employees programmed for testboard work. However, it should be pointed out that the needed capability for local and toll testing of the expanded system has been provided - it can be implemented when funds are available. In the area of Repairs to Central Office Equipment - Account 2604 the Utility had programmed 24 hour coverage of offices, a most desirable situation with a system as large as this one will be. Also programmed was a complete schedule of testing of all subscriber lines prior to and after cutover. Both of these programs will be curtailed; Central Office trouble calls will be handled on a "call out" basis, and subscriber line testing will be held to the bare minimum. Repairs to Station Equipment - Account 2605, encompasses not only the repair of instruments at the subscribers premises, but the operation of the Instrument Repair Section - a facility that rehabilitates and rebuilds an average of 800 instruments monthly. While the personnel program adds one more Repairman to this Section it will be necessary to place repair parts stock on an "as needed" basis rather than a high-low inventory. This may cause some delay in getting needed equipment off the bench and into stock, thereby causing delays in completing service orders because of a shortage of instruments or special equipment systems.

b) Depreciation -

The 1965 Utility Request of \$866,735 is based upon the Depreciation of all completed plant, including that built from bond funds, during 1965. The City Manager's Recommended Budget of \$728,000 for Depreciation is based upon the concept that the majority of plant construction with bond funds will not be revenue producing until cut-over in mid 1965. The recommended Depreciation expense therefore provides for Depreciation of bond and plant for only one-half year.

c) Operator's Wages (Account 2624)

As a part of the improvement program the number of Dial Service Assistance (Information and Operator) positions are being increased from 4 to 6. The new positions will be activated prior to cutover - but in view of the funding available, will not be staffed as programmed. Essential services will of course be provided, but where acceptable service indices requires an answer within 15 seconds, it may not be possible to meet this criteria at all times. The addition of at least 1500 new subscribers, the changing of every subscriber number will, in spite of a new telephone directory, impose severe work-loads upon the personnel involved, and quite possibly a service level that is not wholly acceptable, personnel scheduling may be rather difficult, because of adding 4 employees for 24-hour service estimated to be required.

d) Sales and Servicing Expense

During the period preceding, and after a major improvement to a telephone system, subscribers, especially business subscribers, become more aware of their needs for good communications. As the system is being upgraded it is logical that businesses seek to upgrade their own facilities by changing from key systems to switchboard systems, from telephones to key systems, additional lines and special equipment. Recognizing this, the Utility programmed an additional employee in the Sales and Service Section. A review indicates that this activity is strongly affected by the amount of capital funds available - and that in light of the Utility's capital program this additional employee could be deferred at this time. It is quite possible that the two employees in this Section will be hard pressed to meet the counseling demands of the business segment of the telephone population - but an additional employee cannot be funded under the present financial restrictions.

Local Commercial Operations (Account 2645)

At present the Utility has on hand some 4400 requests for new service and better grades of service that must be administered by the Utility's Commercial Section and the City Hall Utility Billing Section. These pending orders; the work associated with the addition of 1500 new subscribers in the latter half of 1965; and the unusual subscriber demands associated with Commercial functions prior to and during the cutover indicated increased personnel programming. The full staffing is not possible under the available monies; so where the Bell System usually has 2300 accounts per Service Representative, the addition of two Service Representatives will permit 2600 accounts rather than the 3600 carried by the present force. The Customer Service functions is currently under study by the Utility and the Administration to determine the best method of merging the Utility and City Hall Utility Billing Sections where common work loads exist. While the results of this study, and its implementation, will not take place until sometime in 1965, it seems quite probable that a reduction in the total personnel required is feasible.

Accounting and Collection (Account 2662)

As in the case of Local Commercial Operations (2645) the full programming for Data Processing, Accounting, Treasury (Collection) and Utility Billing indicate an increase as a result of the virtual completion of the Utility's Phase I program. It seems quite probable that administering \$6,000,000 in bond monies with its associated work orders has a profound effect upon Accounting; that an increase in tolls billed has a similar effect upon items handled by Data Processing, etc. The same held order situation that effects the Utility also has influence upon the City Hall customer contact group in increased order inquiries, explanations and service order production. Within the limits of the funding available, the personnel of this group, and their cumulative efforts must be held to that which is economically possible. The centralization of effort currently under study may permit increased customer service at the same or lower cost.



### Summary

The Utility is currently in a most unenviable position with regard to its operational capabilities. Until mid-summer 1965 neither it, nor the public, can realize the benefits of improved service that will come with the "cutting over" to new equipment in the North and South Wire Centers; demands upon the present system continue to be greater each day - and with these demands the service will deteriorate more, rather than improve, until the new equipment can be put to use. While the system's capacity will double in 1965, the system will not be able to utilize to the maximum this increase, because of funding limitations. Conformance to existing policy requires that in 1965 the Utility must defer and curtail expenditures that would add a plus to the service improvement expected by the implementation of basic Phase I of the Capital Program.

### Capital

With the approval by Council of the new South Wire Center Building, the last major project under Phase I of the Utility's program is committed. The program as outlined in 1962 will be completed in mid-summer 1965. And, while the Utility will meet its obligations of improved service and increased capacity, it is still in need of additional capital monies, as was outlined to the public in the Fall of 1962. The completion of Phase I will provide the firm base from which to grow, but to avoid the pitfalls of earlier programs, Phase II Capital monies should have been available in the Fall of 1964. Realistic funding of capital expansion programs would permit a continuity of growth that is not possible under the present financial policies. At present an inelastic situation exists - as exemplified by the estimated over-authorization of \$200-250,000 necessary to complete Phase I. Today the Utility should be ordering additional central office facilities, additional cable for feeder and distribution systems, additional switchboards, key systems and telephones, and the personnel necessary to install this equipment - the Utility forecasts show that both the subscriber demand and subscriber potential is here today, tomorrow and the next day.

In 1965 the Utility has no capital monies to meet this already existing demand and potential.

In 1965 the Utility requires \$200-250,000 to complete projects essential to Phase I - and this can be met by further deferrment of outside plant projects - but at a cost of not adding additional new customers. To implement as fully as possible the maximum capabilities of Phase I the Utility needs to have available in 1965 an additional \$675,000. To start and carry through Phase II, which is tantamount to getting from neutral into second gear to satisfy customer demand, the Utility requires at least \$2,700,000 to carry it through 1967. Thus, new monies, secured by the revenues of the Utility, in the area of 3.75 to 4.00 million should be available to the Utility now. The City Manager strongly urges Council's consideration of this bonding program early in 1965.

Of immediate concern to the Utility is the problem of how to meet the day to day routine capital improvements - such as, equipment for a new hotel, distribution facilities for new individual homes or small sub-divisions; additional key equipment demanded by existing subscribers; major and minor toll replacements, etc. These demands and improvements must be met whether or not major additions to the total system are financially feasible or approved. It is an immediate problem.

As indicated previously, the only capital improvements that can be made in 1965 are outside plant projects that were approved in 1964 and deferred to 1965, or scheduled in 1965; the South Wire Center and its associated Central Office equipment; and the monies allocated for "telephone installations" in 1965. No other programming is possible.

If the Utility is to meet its obligations of improved and expanded service, of keeping pace with the economic growth of the area it serves, a realistic and forward looking funding program should be considered; one that recognizes the present demand and the future potential growth of the system, one that is tied in with the forecasting barometers of the area - Utility forecasts, school district student population forecasts, planning studies and special economic studies, etc., would be most helpful. The Utility now forecasts growth on a 2, 5, 10, 20 year annually updated basis - financial requirements and actual funding available could be programmed on the same basis.

Today, available funds lag behind present demand and future requirements to the extent that the Utility is not meeting its service obligations.

#### City Council Adjustments

Based upon Council review of the various financial problems facing the Telephone Utility, the contribution to the General Fund of \$402,880 as budgeted remains unchanged. However, in order to provide additional cash for improved maintenance and additional construction (or purchase of key and switchboard equipment) prior to the planned cut-over, the General Fund is programmed to loan this contribution of \$403,000 to the Telephone Department. In the Telephone accounts this loan would be treated in much the same manner as bond funds. Pending the development of sufficient funds or telephone revenues to meet the accounts payable, the General Fund will be programmed to meet cash needs by tax-anticipation borrowing on a short-term basis and on a competitive interest schedule.

The recommended use of the proposed \$403,000 loan is as follows:

1 - Telephone Operational Budget Changes:

Increase account 2602.6	by	\$33,000
Increase account 2603	by	<u>7,000</u>
Total increase		\$40,000

These increases would permit the employment of nine additional personnel with only a portion of their salaries to be charged to maintenance. The remaining salary will be charged to the increased construction program identified below. The specific personnel increases are as follows:

Maintenance Section:	Add - 1 Installer	Installation Section:	Add - 3 Installer Repairmen
Plant Service Section:	Add - 1 Test Boardman	PBX and Key Section:	Add - 3 PBX Installer
Plant Service Section:	Add - 1 Line Assignment Clerk		Repairmen

2 - Construction Budget

The \$363,000 of the above proposed loan would be accounted for in the fashion similar to bond funds and as such would have no immediate effect on the proposed 1965 budget. The use of these funds, however, is planned as follows:

Routine Plant construction	\$ 100,000
Purchase of Station Apparatus (key and PBX systems)	100,000
Major Tools	12,000
Station Installations (Equipment, Material and Labor)	<u>151,000</u>
	\$ 363,000