

1968

BUDGET

TELEPHONE UTILITY

ANCHORAGE TELEPHONE UTILITY

'68 BUDGET HIGHLIGHTS

- [*] Revenues up 11.77% over '67; Operating Expenses and Taxes up 7.08% over '67.
- [*] Increased requirements for Operational Personnel emphasize the shift from the "crash" construction program of the past four years - to an orderly, planned program of expansion and betterment of existing service.
- [*] '68 Budget includes introduction of Service Attitude Measurement yardsticks for subscribers to tell us what they think about our service.
- [*] '68 projected operations approach United States Independent Telephone Association national average -

1. Operating Expense & Taxes per Telephone

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Anchorage	\$86.71	\$90.77	\$110.25	\$101.70	\$104.51	\$99.95
USITA	86.46	88.96	91.59	96.16	NA	NA

2. Depreciation - % of Operating Revenues

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Anchorage	30.6	26.35	23.09	20.6
USITA	16.1	16.2	NA	NA

3. Net Operating Income - Per Telephone

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Anchorage	\$32.50	\$27.67	\$31.89	\$29.16
USITA	24.95	26.63	NA	NA

- [*] Station gain for '68 expected to be 4500! End of '68 should show Telephone with 42,000 phones in service.

INCOME STATEMENT

(Including Percent Relationship to Operating Revenues)

	'65 (Act.)	'66 (Act.)	'67(Budget)	'68 (Est.)	
<u>PERATING REVENUES</u>					
Local Service	3,336,425	4,074,235	4,350,000	4,860,000	
Message Toll Service	440,717	539,311	550,000	600,000	
Public Telephone	125,380	108,779	130,000	140,000	
Miscellaneous	80,620	98,452	134,000	175,000	
Uncollectible Revenues - DR	(35,973)	(58,680)	(44,000)	(52,000)	
Total Operating Revenues	3,947,169	4,762,597	5,120,000	5,723,000	
<u>PERATING EXPENSES & TAXES</u>					
Maintenance	1,208,017	1,255,090	1,182,000	1,135,816	
Traffic	199,260	239,791	313,000	373,281	
Commercial	200,217	359,943	390,000	616,207	
General Office Salaries & Expenses	435,170	337,273	408,000	422,938	
Other Operating Expenses	100,411	140,850	188,100	77,306	
Depreciation	692,233	966,331	1,035,000	1,095,280	
Extraordinary Retirements	--	160,000	157,150	176,150(1)	
City Gross Revenue Tax	214,737	227,331	266,108	312,979	
Total Operating Expenses & Taxes	3,050,045	3,846,609	3,939,628	4,209,957	
<u>ET OPERATING INCOME</u>					
Miscellaneous Income	897,124	915,988	1,180,372	1,513,043	
	8,770	27,745	--	100,000	
<u>NCOME AVAILABLE FOR FIXED CHARGES</u>	905,894	943,733	1,180,372	1,613,043	
<u>IXED CHARGES</u>					
Interest on Funded Debt	242,000	450,799	493,178	815,000	
Other Interest Deductions	---	7,652	--	--	
Amortization of Long Term Debt	570,000	540,000	530,000	540,000	
Long Term Debt Reserve	75,000	85,000	140,000	170,000	
Total Fixed Charges	887,000	1,083,451	1,163,178	1,525,000	
<u>ET INCOME</u>	118,894	20,482	17,194	88,043	
<u>ITY FRANCHISE TAX</u>	153,000	324,819	348,088	312,979	
<u>ERCENT OF REVENUE</u>					
Maintenance	30.60	26.35	23.09	19.09	USITA '66 16.21
Traffic	5.05	5.03	6.11	6.93	7.89
Commercial	5.07	7.56	7.62	10.76	6.40
Gen. Office Salaries & Expenses	11.02	7.08	7.97	7.39	6.38
Other Operating Expense	2.54	2.96	3.67	1.34	4.17
Depreciation	17.54	20.29	20.21	19.25	18.04
Extraordinary Retirements	--	3.36	3.07	3.07	--
City Gross Revenue Tax	5.44	4.77	5.20	5.45	NA
Net Operating Income	22.73	19.23	23.05	26.03	21.69

- 1) \$157,150 on Old B Roadway
 \$19,000 on Old FAirfax, FEderal & DIamond

Utility	'67 Budget		Utility	'68 Estimate	
	Interfund	Total		Interfund	Total
1,900	--	1,900	1,959	--	1,959
113,000	--	113,000	85,401	--	85,401
16,000	--	16,000	8,469	--	8,469
11,000	--	11,000	4,568	--	4,568
52,000	--	52,000	27,418	--	27,418
2,700	--	2,700	1,305	--	1,305
75,500	--	75,500	87,768	--	87,768
280,000	--	280,000	303,215	--	303,215
605,000	--	605,000	583,513	--	583,513
18,000	--	18,000	25,200	--	25,200
7,000	--	7,000	7,000	--	7,000
182,000	--	1,182,000	1,135,816	--	1,135,816

14,500	--	14,500	22,624	--	22,624
282,700	--	282,700	331,451	--	331,451
5,000	--	5,000	5,000	--	5,000
11,000	--	11,000	14,206	--	14,206
313,200	--	313,200	373,281	--	373,281

17,500	--	17,500	20,000	--	20,000
47,049	2,951	50,000	53,775	3,778	57,553
--	1,500	1,500	3,411	1,889	5,300
147,375	143,125	290,500	184,392	310,879	495,271
14,500	--	14,500	16,500	--	16,500
16,000	--	16,000	21,583	--	21,583
242,424	147,576	390,000	299,661	316,546	616,207

65,000	17,000	82,000	85,737	13,500	99,237
34,470	259,530	294,000	39,661	211,945	251,606
--	14,908	14,908	--	16,578	16,578
18,000	6,500	24,500	22,573	32,944	55,517
117,470	297,938	415,408	147,971	274,967	422,938

47,000	--	47,000	--	31,300	31,300
38,730	7,920	46,650	40,400	--	40,400
79,050	--	79,050	110,225	34,000	144,225
12,565	2,835	15,400	10,150	9,825	19,975
(66,878)	--	(66,878)	(158,602)	--	(158,602)
110,467	10,755	121,222	2,181	75,125	77,306
965,561	456,269	2,421,830	(176,910)	666,638	2,625,548

PHONE UTILITY

PER SE AND TAXES

To Interfund Expense)

'66			
Total	Utility	Interfund	Total
4,545	4,489	--	4,489
151,898	159,927	--	159,927
14,686	35,563	--	35,563
18,735	34,058	--	34,058
30,320	18,739	--	18,739
2,613	2,425	--	2,425
77,818	79,168	--	79,168
301,971	299,910	--	299,910
584,948	602,234	--	602,234
14,570	14,530	--	14,530
5,913	4,047	--	4,047
208,017	1,255,090	--	1,255,090
6,648	12,232	--	12,232
81,420	209,128	--	209,128
-	3,232	--	3,232
1,192	15,199	--	15,199
9,260	239,791	--	239,791
4,750	2,314	--	2,314
1,536	43,403	--	43,403
-	1,630	--	1,630
21,378	129,026	128,889	257,915
912	11,736	--	11,736
2,217	42,945	--	42,945
20,217	231,024	128,889	359,913
51,008	59,080	9,000	68,080
44,346	46,049	191,672	237,721
627	--	14,607	14,607
15,875	16,865	8,650	16,865
15,856	121,994	223,929	337,273
6,57	38,305	--	38,305
14	36,406	7,920	44,326
76	88,722	--	88,722
7,64	32,147	3,150	35,297
1,000	(65,800)	--	(65,800)
1	129,780	11,070	140,850
7,71	1,977,679	363,888	2,341,567

ANCHORAGE TELEPHONE UTILITY
STATEMENT OF RETAINED EARNINGS(1)

	'65	'66	'67	'68
RETAINED EARNINGS - 31 Dec. 67	(8,765)	26,235	(46,000)	--
NET INCOME(2)	755,122	764,819	687,802	675,801
RETAINED EARNINGS - 1 Jan. 68	746,357	791,054	641,802	675,801
DEPRECIATION (Non-Cash)	692,233	966,331	1,035,000	1,095,280
TOTAL AVAILABLE	1,438,590	1,757,385	1,676,802	1,771,081
Bond Retirement	570,000	540,000	530,000	540,000
Bond Reserve	16,000	85,000	140,000	170,000
City Franchise Tax	153,000	324,819	348,088	304,577
Total Required	755,000	949,819	1,018,000	1,014,577
Less: Reserve For Utility Relocations	683,590	807,566	658,802	756,504
Available For Construction	683,590	807,566	658,802	631,504

(1) Retained Earnings - Defined As - Earnings not distributed to debt holders as interest, not to share holders as dividends.

(2) Net Income - Defined As - The amount remaining after deduction of all Expenses, Taxes and Interest.

(3) Expenses - Defined As - Cost of commodities and services consumed, plus Depreciation.

ANCHORAGE TELEPHONE UTILITY
COMPARATIVE PERSONNEL REQUIREMENTS
OPERATIONAL BUDGET
'66-'67-'68

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<u>OPERATING SECTIONS</u>	<u>CLASSIFIED</u>			<u>UNION</u>					
	'66	'67	'68	<u>Foremen</u>		'68	<u>Other</u>		'68
				'66	'67		'66	'67	
Management (Classified)	21	24	24	--	--	--	--	--	--
Station Maintenance	--	--	--	1	1	1	9	9	10
Central Office	--	--	--	3	2	2	16	16	20
Plant Service	--	--	--	1	1	1	17	17	17
Installation-PBX & Key	--	--	--	1	2	2	19	21	24
Installation-Straight	--	--	--	2	2	2	17	18	20
Commercial	--	--	--	--	--	--	13	14	14
Traffic	--	--	--	1	--	--	28	30	40
Accounting	--	--	--	--	--	--	2	2	2
Warehouse	--	--	--	--	--	--	2	3	3
Shop Repair	--	--	--	--	--	--	3	3	3
Regroup & Retirement	--	--	--	--	--	--	3	3	0
TOTAL	21	24	24	9	8	8	129	136	153

COMPARATIVE PERSONNEL REQUIREMENTS
CONSTRUCTION BUDGET
'66-'67-'68

<u>CONSTRUCTION SECTIONS</u>	<u>CLASSIFIED</u>			<u>UNION</u>					
	'66	'67	'68	<u>Foremen</u>		'68	<u>Other</u>		'68
				'66	'67		'66	'67	
Management	1	1	1	--	--	--	--	--	--
Construction	--	--	--	2	2	3	10	13	9
Splicing	--	--	--	1	1	0	13	19	10
Engineering	--	--	--	1*	1*	2*	16*	16*	11*
TOTAL	1	1	1	4	4	5	39	48	30

* 35% Changed to Operations.

'68 Construction Program

1. Construction will be limited by the availability of funds.
Bonds authorized, but not sold - '65 - \$3,000,000 (5% Interest Limitation)
 '67 - \$5,500,000 (6% Interest Limitation)
2. The City Financial Advisor has recommended that no attempt be made to market \$3,000,000 in '65 bonds because of market conditions and the 5% interest limitation. He has recommended that \$3,000,000 of the '67 bonds be sold inasmuch as they carry a 6% interest limitation. A prospectus is currently being prepared and sale is scheduled for 28 November 67.
3. The usual procedure of placing Depreciation Reserve back into the physical plant of the system will be curtailed in '68 because of (1) necessity to meet the City Franchise Tax (Contribution to the General Fund) from Depreciation monies in the amount of \$304,577 and (2) the necessity to encumber \$125,000 to meet the estimated relocations of telephone plant caused by Public Works programs, costs of which must be borne 100% by the Utility as stipulated by Council action in the Fall of '67. It is estimated that of the \$1,095,280 scheduled for Depreciation Reserve, no more than \$500,000 will be available for replacement construction.
4. For '68 Construction, it appears that the following funds will be available:

'67 Bonds	\$3,000,000
'68 Depreciation -	500,000
Total	<u>\$3,500,000</u>

5. Expenditures are scheduled as follows:

'67 Bond Expenditures Authorized and Committed in Advance of Sale - \$ 500,000
1st Half of '68 -

Station Installations	350,000	
Outside Plant Construction	750,000	
Central Office & Associated Eq.	500,000	
PBX/Key Equipment, including		
instrument rebuild	<u>325,000</u>	
	<u>\$1,925,000</u>	\$1,925,000

2nd Half of '68 -

Station Installations	350,000	
Outside Plant Construction	250,000	*
Central Office & Associated Eq.	250,000	*
PBX/Key Equipment, including instrument rebuild	<u>225,000</u>	*
	<u>\$1,075,000</u>	*
		\$1,075,000

* These amounts are not sufficient to meet the subscriber demand for the second half of '68.

6. It is quite apparent that if Telephone is to meet the continued subscriber demand forecast for '68-'69 it has five possible courses of action available:
- a) Find a means of marketing the \$3,000,000 in '65 bonds that are available.
 - b) Market the \$2,500,000 in '67 bonds no later than November '68.
 - c) Arrange for short term financing of \$1,000,000 by November '68 preferably in the name of the Utility and not that of the City.

- d) Propose that the City Charter be revised, to eliminate voter ratification of revenue bonds at the October '68 election.
- e) Propose a \$5,000,000 Revenue Bond Issue to the voter at the October '68 election.

7. It is also quite apparent that with the curtailment of constructions funds as envisioned, very little, toward placement of existing plant underground can be accomplished in '68.