

KETCHIKAN PUBLIC UTILITIES

KPU



Your Community, Your Utility

2021 OPERATING AND CAPITAL BUDGET

KETCHIKAN PUBLIC UTILITIES

2021 ANNUAL BUDGET

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CITY OF KETCHIKAN, ALASKA

RESOLUTION NO. 20-2797

A RESOLUTION OF THE COUNCIL OF THE CITY OF KETCHIKAN, ALASKA APPROPRIATING FROM THE KETCHIKAN PUBLIC UTILITIES ENTERPRISE FUND FOR THE FISCAL YEAR 2021; AND ESTABLISHING AN EFFECTIVE DATE

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Ketchikan, Alaska as follows:

Section 1: The budget for the year 2021, entitled KETCHIKAN PUBLIC UTILITIES 2021 OPERATING AND CAPITAL BUDGET, is hereby adopted.

Section 2: The sum of \$67,010,185 as shown in the following items of appropriations is appropriated for the Ketchikan Public Utilities Enterprise Fund of the City of Ketchikan, Alaska for the fiscal year beginning January 1, 2021:

<u>Item of Appropriation</u>	<u>Total</u>
General Manager	\$ 361,947
Sales, Marketing & Customer Service	3,077,059
Electric	23,010,949
Telephone	17,849,904
Water	12,600,180
Transfer to KPU Facilities and Infrastructure Replacement Fund	250,000
Appropriated Reserves	9,860,146
	<hr/>
Total Appropriations	\$ 67,010,185

Section 3: The sum of \$1,250,000 as shown in the following items of appropriations is appropriated for the Ketchikan Public Utilities Facilities and Infrastructure Replacement Fund of the City of Ketchikan, Alaska for the fiscal year beginning January 1, 2021:

<u>Item of Appropriation</u>	<u>Total</u>
Appropriated Reserves	1,250,000
	<hr/>
Total Appropriations	\$ 1,250,000

Section 4: This resolution shall become effective immediately upon adoption.

PASSED AND APPROVED by a duly constituted quorum of the City Council for the City of Ketchikan on this 17th day of December, 2020.


Robert Sivertsen, Mayor

ATTEST:


Kim Stanker, City Clerk



November 6, 2020

The Honorable Robert Sivertsen
and Members of the City Council
City of Ketchikan, Alaska
334 Front Street
Ketchikan, Alaska 99901

Pursuant to Section 5-2 of the Ketchikan City Charter, the proposed 2021 Operating and Capital Budget (the “2021 Budget”) for Ketchikan Public Utilities (KPU) is respectfully submitted. In accordance with Section 5-4 of the Charter, the City Council must adopt a final spending plan no later than the third day before the beginning of the next fiscal year, which is December 29, 2020. At least one public hearing on the proposed budget is required prior to adoption of the final spending plan.

INTRODUCTION

The 2021 Budget attempts to reflect the ongoing efforts of the City Council to maintain and deliver cost effective electric, telecommunications and water utility services to the community of Ketchikan. Staff believes that the proposed spending plan for 2021 effectively balances the available financial resources of KPU against the utility service needs of the community. The programs and services contained within the proposed spending plan were developed by the KPU Division Managers and were subsequently reviewed and modified as necessary by the Offices of the General Manager and the Finance Director. The operating goals and programs of the Electric, Telecommunications and Water Divisions were predicated on the continuation of basic service delivery and long-range issues that manifested themselves over the course of the past year and during the development of the Capital Improvement Program.

The economic issues facing the community of Ketchikan were considered during the preparation of the proposed spending plan for KPU. Although KPU is not supported by tax dollars, it does depend on its residential and commercial ratepayers to provide the resources necessary to

finance its operations. The table below lists key operating statistics for KPU for the past ten years.

Year	Number of Electric Customers	Energy Sales - mWh	Telecom Access Lines	Water Customers
2010	7,418	156,985	7,103	3,233
2011	7,443	164,714	7,057	3,247
2012	7,518	172,190	6,434	3,243
2013	7,514	170,282	6,083	3,244
2014	7,606	167,939	5,863	3,162
2015	7,694	163,896	5,723	3,163
2016	7,741	165,107	5,611	3,203
2017	7,799	175,448	5,351	3,220
2018	7,838	167,534	5,274	3,238
2019	7,867	164,000	5,043	3,194

The growth in electric customers continues to average less than 1% annually since 2010. The demand for energy is generally trending upward but continues to fluctuate annually. Under normal operating conditions, the electric utility's energy sales tend to fluctuate from year-to-year due to variable weather conditions, customer demographics and demand, and the effectiveness of energy conservation measures. In 2017, a new record high of 175,448 mWh was set but was followed by a 10-year low of 164,000 mWh in 2019. The decrease in energy sales in 2019 was caused by a drought that impacted most of Southeast Alaska. During the drought, lake levels reached record lows and utility consumers were encouraged to conserve energy in order to reduce consumption and limit the amount of diesel power required to make up the shortfall.

Over the same period, the number of telecommunication access lines declined on average by about 3.73% annually. Competition from GCI, a full service telecommunications company, and wireless phone carriers have made significant inroads into the local market for telecommunication services. KPU Telecommunications has overcome this loss of customers by expanding into television, internet and wireless services.

Growth in the number of water customers has remained relatively static for the past 10 years. This is primarily due to the limited availability of property for development within boundaries of the City and stagnant business and population growth in the community. The water utility does not serve residents and businesses located outside the boundaries of the City. The dip reported in 2014 was due to the transition to the new utility billing system. The old utility billing system did not properly exclude certain inactive accounts from the customer counts.

MAJOR BUDGET AND FISCAL ISSUES

During the course of preparing the proposed KPU budget for the next fiscal year, certain issues were identified that may affect the long-term finances of KPU, its operations and the proposed spending plan for 2021. Staff believes that the City Council should be aware of these issues and

may want to consider them during its budget deliberations. Each issue is outlined below along with recommendations from staff, if warranted. In most cases, staff has incorporated its recommendations into the proposed budget in order to show the effects of the recommendations on the draft spending plan. Staff recognizes that the final resolution of these issues will be determined by the City Council and that the proposed spending plan may be adjusted accordingly.

Utility Rates: Management continues to express concerns about the adequacy of current utility rates to finance the cost of operations, the capital cost associated with the replacement or maintenance of aging utility infrastructure, and the cost of complying with unfunded mandates imposed by federal and state regulatory bodies. These concerns can be best understood by reviewing the following table, which summarizes the operating results of KPU by utility for the past ten years.

Summary of Net Income (Loss)
2010 - 2019
Audited

Year	Total	Electric	Telecom	Water
2010	1,171,359	(343,513)	1,951,975	(437,103)
2011	1,093,603	305,728	1,189,851	(401,976)
2012	(616,243)	193,063	(50,793)	(758,513)
2013	(1,015,060)	(643,319)	711,724	(1,083,465)
2014	(1,324,308)	(995,699)	532,426	(861,035)
2015	(1,669,237)	(910,631)	(66,516)	(692,090)
2016	(1,491,341)	(1,231,491)	149,376	(409,226)
2017	1,731,165	114,926	1,945,067	(328,828)
2018	1,125,607	(1,238,149)	2,786,145	(422,389)
2019	907,713	(731,218)	2,046,119	(407,188)

Several observations can be made from reviewing the Summary of Net Income (Loss):

- Both the electric utility and the water utility continue to experience significant operating losses. Very little progress has been made to reduce the electric utility's deficit. The improvement that took place in 2017 was primarily due to the \$1.4 million rebate that was received from SEAPA.
- Significant progress has been made in reducing the operating deficit of the water utility. Unfortunately, progress has been lacking over the past four years despite rate increases that have been approved by the City Council. During this period, the water utility has been forced to bear the added cost of deferred maintenance due to the failure of some of its aging infrastructure. The rate increases went towards paying for the deferred maintenance instead of reducing the operating deficit.

- Although the telecommunications utility has improved its operating results, the industry it operates within is very dynamic and subject to frequent changes in technology, which requires the utility to use its earnings to upgrade its infrastructure. Historically, the City has followed a strategy of using the earnings of the telecommunications utility to subsidize the electric and water utilities. While this strategy may have worked in prior years, it is becoming more difficult to sustain. A perfect example of this occurred in 2020, when it became necessary to issue a \$9.52 million bond to finance the construction of an undersea fiber cable between Ketchikan and Prince Rupert, BC, Canada. The telecommunications utility will need its earnings to make the debt service payments on this new bond.
- The Summary of Funding by Operating Utility on page C-4 further illustrates the concerns regarding the inadequacies of the current rate structure. This summary shows how each utility is able to cover its operating and capital costs through the rates it charges their customers. The telecommunications and water utilities are able to cover all of their operating costs and a portion of their capital costs through rates. The electric utility requires a contribution of \$1.17 million from reserves to cover its operating costs and \$4.03 million for its capital costs. The electric utility is unable to pay for any of its capital costs from operations and must rely on grants, bonds or reserves. Grant funding is in short supply due to the fiscal challenges facing the State of Alaska. Debt financing is attractive at the moment because the bond markets are currently in a low interest rate cycle. Unfortunately, relying on debt to finance capital improvements will result in interest costs, which are ultimately passed on to the rate payers, and KPU's bond covenants require that for every dollar of debt service, KPU must generate at least \$1.25 of net revenue to satisfy debt service coverage requirements. If current revenues are not sufficient, they must be increased before debt can be issued.

Management continues to recommend that the City Council work towards making each utility capable of standing on its own financially. This is going to be especially critical if the water utility is eventually required to finance and construct a water filtration plant. A financially strong Ketchikan Public Utilities is going to be a prerequisite for issuing the bonds that will be required to finance this plant. The process should start with controlling costs for each utility and adjusting the rates to cover costs of each utility without subsidies. Consideration should also be given to financing more capital improvements from operations.

Water Filtration: It appears that despite all of the efforts taken to date, the municipal water system owned and operated by KPU is still struggling to meet certain water quality standards established by the Environmental Protection Agency and the Alaska Department of Environmental Conservation (ADEC). As a result, KPU may be required to finance and construct a water filtration plant to treat all the water distributed in KPU's municipal water system. The capital cost of this plant is approximately \$70 million. In 2020, KPU and ADEC met to discuss options that would eliminate the need to construct an expensive water filtration plant. These discussions are continuing and no determination has been made if any of options under review would satisfy the water quality standards.

Diesel Generation: The drought that took place in Southeast Alaska in 2019 served to reinforce the importance of having reliable sources of generation to meet the demand for electricity from the customers of the City owned electric utility. The lesson learned was that the communities of Ketchikan, Wrangell and Petersburg cannot always rely upon the hydroelectric generation facilities of KPU and the Southeast Alaska Power Agency (SEAPA) to meet the consumer demand for energy. The close proximity of hydroelectric generation facilities operated by KPU and SEAPA increases the risk that the facilities of both entities will experience droughts and other adverse weather conditions simultaneously. This raises the importance of including reliable diesel generation into KPU's strategy for addressing consumer demand for electricity.

During the most recent drought, KPU learned that its current diesel generation facilities are showing their age and lack the capacity to provide power during an extended drought. Two of the four main diesel generators located at the Bailey Power Plant are 50 years old, one is 44 years old and one is 22 years old. KPU needs to begin planning for the permitting and acquisition of a new generator similar to the four generators that are housed at the Bailey Power Plant. The cost a new generator will most likely exceed \$20 million and will require approval from the voters to issue a revenue bond to finance the acquisition and installation of the new generator. The annual debt service required for a \$20 million bond plus a \$1,665,000 reserve account at an interest rate of 4.5% is about \$1,665,000 and would require a 9% across the board electric utility rate increase to provide for annual debt service sufficient enough to satisfy the debt coverage requirements of KPU's bond covenants.

COVID-19: So far, KPU has been able to hold its own during the COVID-19 pandemic. Adequate reserves and the need for essential electric, telecommunications and water services has helped to stabilize KPU's finances. The CARES Act distributions to the community by the City and the Borough also played an important role by providing additional financial resources to residents and businesses that enabled them to pay their utility bills. KPU, however, needs to continue to carefully monitor its cash flows. Billable services, at some point, need to convert to cash so KPU can pay its employees and vendors. KPU has been aging its receivables monthly and although there have been changes in the age of its receivables, no definitive trends have materialized to suggest that a significant change in KPU's monthly cash flows is occurring with the exception of telecommunications utility customer accounts. Since December 31, 2019, the number of accounts that are more than 30 days old has increased from 818 to 1,207, or about 48% but at the same time the total balance over 30 days that is due only increased by \$26,000, or 13%. KPU will continue to monitor its cash flows in the event that the situation changes and requires action by the City Council.

SIGNIFICANT BUDGET ASSUMPTIONS

In order to present a complete spending plan for 2021, it was necessary for management to make certain assumptions regarding the operations and finances of KPU. Management recognizes that some of the assumptions will require further direction from the City Council and that the

direction provided may result in different assumptions, which could materially affect the proposed spending plan. The key assumptions used to compile the spending plan for 2019 are as follows:

- Staffing levels will remain the same as 2020 except for the addition of two apprentice journeymen for the water utility. Compensation is also expected to remain the same except step increases required by the compensation plan and collective bargaining agreements have been programmed for all eligible employees. No cost of living adjustments have been programmed.
- Most employee benefit costs have not been programmed to increase. There are two key exceptions - health insurance and pensions. The increase in the cost for health insurance will be shared equally between KPU and its non-represented employee and in accordance with a tiered formula for its represented employees. Increases in retirement costs will be limited to rising salaries and wages caused step increases and assumes that the State of Alaska will not raise the current PERS employer contribution rate of 22 percent and the unions will not raise employer contribution rates.
- The cost of power purchased from the Southeast Alaska Power Agency has been programmed to increase from the current rate of 6.8 cents per kWh to 7.3 cents per kWh, effective June 1, 2021.
- There will not be a purchased power rebate from the Southeast Alaska Power Agency in 2020 or 2021. A Whitman Lake true-up payment has been projected for 2021. Wet weather has increased the odds that the SEAPA dam will spill and trigger an annual Whitman Lake true-up payment.
- Rate increases have been programmed for the electric and water utilities. The electric utility rates increase is set at 3% and, if approved by the City Council, will become effective June 1, 2021. The rate increase is necessary cover the increased cost in purchased power. A five percent rate increase has been programmed for the water utility. As was discussed, earlier this rate increase is necessary in order to continue efforts to reduce the water utility longstanding operating deficit.
- Liability and property insurance premiums have been programmed to increase by 15% and 5%, respectively. KPU's liability and property insurance policies expire on July 1 and, therefore, the renewals overlap the KPU's calendar fiscal year. The increases are due to poor claims experience in the property, casualty and liability markets. The rising cost of construction and materials is also having an impact on replacement values. The City has been required to increase its replacement values to ensure that its facilities are adequately insured.
- Workers compensation insurance policies also expire on July 1 and overlap the KPU's

calendar fiscal year. Premiums for workers compensation insurance have been projected to increase by an overall 5% on July 1, 2021. Premiums for workers compensation are based on staffing demographics and the rates set for each employee classification by the National Council on Compensation Insurance. As a result some departments may experience an increase in the cost of workers compensation by more than 5% and others will experience an increase of less than 5%.

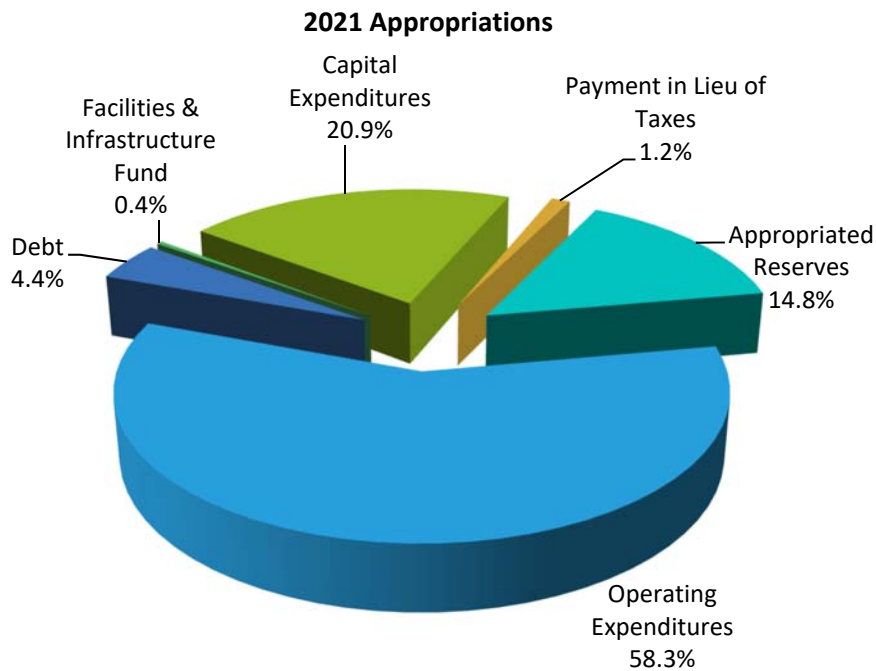
- Annual debt service has been programmed to decrease from 2020 by \$100,140. A new revenue bond was sold in 2020 to finance the construction of an undersea fiber cable for the telecommunications utility. Favorable market conditions caused by the COVID-19 pandemic resulted in the bond being sold at a premium and at a lower interest rate than originally projected.
- Divisions were directed to reduce operating expenditures in order to bring the requests for 2021 appropriations below the amounts approved in 2020. Divisions were also directed to reduce capital expenditures by deferring non-essential projects to the extent that such deferrals would not result in substantial deferred maintenance costs.

The Proposed 2021 Budget is a working document intended to initiate discussion by the City Council and the public over next year's spending plan. As the City Council and the public review and evaluate service delivery and long-range issues, alternate concepts and additional concerns may materialize that will warrant further consideration. It is staff's desire that the final product which emerges from this process will be a spending plan for 2021 that is acceptable to the community at large and will allow KPU to continue to provide adequate and reliable electric, telecommunications and water services to its customers.

FINANCIAL OVERVIEW OF THE KETCHIKAN PUBLIC UTILITIES 2021 ANNUAL OPERATING AND CAPITAL BUDGET

The 2021 Budget includes all operating and support divisions of KPU. The total amount requested for appropriations is \$65.92 million, a decrease of \$11.16 million from the amount appropriated with the adoption of the 2020 Budget. The key components of total appropriations for 2021 and a comparison with 2020 appropriations are as follows:

	2020 Budget	2020 Estimate	2021 Budget
Operating Expenditures	\$ 39,228,849	\$ 36,535,297	\$ 38,485,671
Debt Service	3,022,995	2,045,352	2,919,455
Payment in Lieu of Taxes	845,600	786,000	786,000
Total Cost of Operations	43,097,444	39,366,649	42,191,126
Facilities & Infrastructure Fund	250,000	250,000	250,000
Capital Expenditures	26,768,570	16,052,809	13,776,377
Total Expenditures	70,116,014	55,669,458	56,217,503
Appropriated Reserves	7,020,997	16,106,458	9,763,682
Total Appropriation	<u>\$ 77,137,011</u>	<u>\$ 71,775,916</u>	<u>\$ 65,981,185</u>
Number of Employees	<u>114.50</u>	<u>114.50</u>	<u>116.50</u>



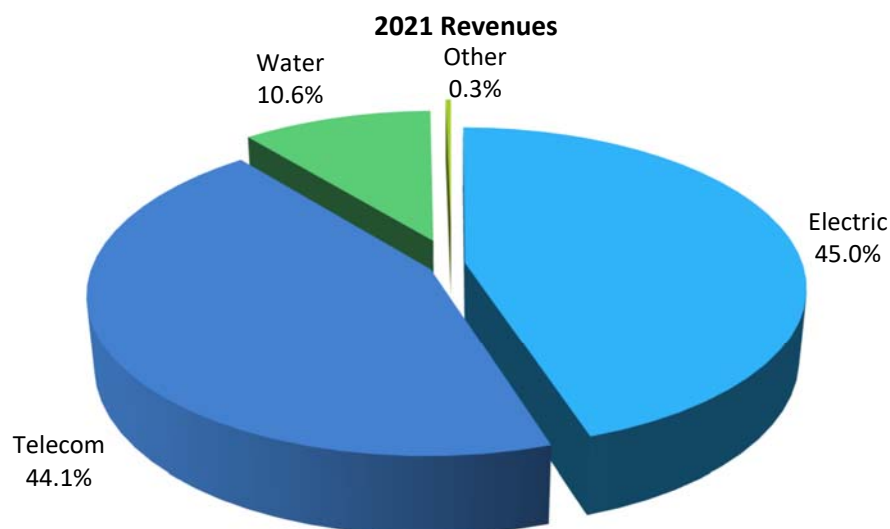
The balance of this overview will include a discussion and analysis of the following areas: (1) revenues; (2) expenditures; (3) personnel; (4) debt management; and (5) compliance with City Council mandated financial objectives.

For additional summary information regarding the proposed spending plan for 2021, please refer to the "C" pages in the budget document.

REVENUES

Operating revenues for utility services in the amount of \$41.95 million have been programmed for 2021. The table below identifies the major revenue sources by operating utility.

	2019 Actual	2020 Budget	2020 Estimate	2021 Budget
Electric	\$ 24,945,340	\$ 18,836,900	\$ 18,704,526	\$ 18,893,600
Telecommunications	19,845,506	18,819,000	19,187,970	18,547,000
Water	4,248,095	4,508,100	4,256,700	4,461,450
Other	469,113	451,000	268,000	124,000
Total	<u>\$ 49,508,054</u>	<u>\$ 42,615,000</u>	<u>\$ 42,417,196</u>	<u>\$ 42,026,050</u>



Electric Revenues: The projection for 2021 electric utility revenues is based on a two-year average of energy sales and the projected average electric revenues per kWh, adjusted for rate increases, new loads and other trends such as conversions from heating fuel to electric heat. There are four variables that can significantly affect the consumer demand energy and revenue projections.

- Cold temperatures and high winds increase the demand for electric energy. This occurred in 2017 when cooler weather resulted in record sales of 175,448 mWh of electricity. Warmer weather decreases demand.
- The general state of the economy. A strong economy usually generates a strong demand for energy. A weak economy has the opposite effect.
- The rise in the price of heating oil can result in some businesses and residents to switch

from heating their businesses and homes with fuel to electricity.

- Rate increases can trigger conservation efforts which tend to lower the demand for electricity.

A 3.0% rate increase has been proposed to offset the increase in the cost of power purchased from the Southeast Alaska Power Agency (SEAPA). SEAPA has announced that the cost of purchased power will increase from \$0.068 per kWh to \$0.073 per kWh. Both the rate and the price increase have been programmed to become effective on June 1, 2021.

In 2019, the electric utility sold 164,000 mWh of energy. The estimate for 2020 is 166,019 mWh and the projection for 2021 is 165,100 mWh. The revenue forecast for 2021 is based on a two-year average of consumption. The table below summarizes the major operating revenues of the Electric Division.

	2019 Actual	2020 Budget	2020 Estimate	2021 Budget
Residential	\$ 7,472,223	\$ 7,876,000	\$ 7,926,400	\$ 7,883,500
Harbor	323,513	344,200	330,100	333,000
Business	7,172,769	7,392,300	7,301,200	7,465,500
Industrial	1,861,397	1,957,600	1,900,200	1,924,000
Yard Lights	59,037	61,100	61,000	61,200
Demand	472,218	552,500	535,300	543,000
Street Lights	199,761	131,700	131,800	131,900
Energy Sales	17,560,918	18,315,400	18,186,000	18,342,100
Diesel Surcharge	6,747,735		(4,000)	
Other	636,687	521,500	522,526	551,500
Total	<u>\$ 24,945,340</u>	<u>\$ 18,836,900</u>	<u>\$ 18,704,526</u>	<u>\$ 18,893,600</u>

Telecommunications Revenues: The Telecommunications Division derives its revenues from three primary sources: regulated local network phone services; regulated network access services; and non-regulated services such as DSL, IPTV, wireless and sales of PBX systems. The table that follows summarizes the major operating revenues of the Telecommunications Division.

	2019 Actual	2020 Budget	2020 Estimate	2021 Budget
Local Network Services	\$ 2,015,374	\$ 1,892,000	\$ 1,865,900	\$ 1,847,000
Network Access Services	8,857,631	8,348,000	8,287,600	8,046,000
IP Network - DSL and IPTV	5,478,704	5,132,000	5,652,800	5,378,000
4G/LTE	3,082,228	3,072,000	3,074,600	3,075,000
Directory Revenue	210,340	205,000	110,000	-
Miscellaneous	201,229	170,000	197,070	201,000
Total	<u>\$ 19,845,506</u>	<u>\$ 18,819,000</u>	<u>\$ 19,187,970</u>	<u>\$ 18,547,000</u>

Revenues from local network services continue to decline albeit at much slower pace than previous years as the markets begin to stabilize. The decline in local network services is primarily the result of residential customers dropping wireline phone services and subscribing to broadband only service.

Interstate network access services, or separations revenues, are not expected to increase and should remain stable for the immediate future as a result of the recent approval of the Alaska Plan. Under this plan, revenues earned from certain network access services were frozen for a 10-year period that ends in December 31, 2026. Intrastate network access services have been declining and will continue to decline because of new regulations that cap the earnings of the Alaska Universal Service Fund (AUSF) at 10%. In addition, the state revenue base, which is based on local phone service, continues to decline as customers switch over to wireless phone services.

Revenues earned by the IP network have been in a holding pattern due to the local market maturing. The telecommunications utility continues to offer new products, technologies and services in order to attract new customers and retain existing customers. For example, there was an increase in the demand for IP network services brought on by more people working or attending school from home. The telecommunications utility will continue to see declines in IPTV revenues as customers drop linear TV in favor of video streaming services such as Netflix, Hulu, AppleTV, and Amazon Video. This has resulted in a nationwide trend that is leading to an increase in the number of customers opting for broadband only service. The telecommunications utility's new undersea fiber cable that was placed in service in October 2020 will increase the utility's ability to meet the current and future bandwidth demands of its customers for at least the next 30 years. Since the activation of the undersea fiber cable has allowed the utility to significantly lower its transport costs, no rate increases for IP product lines have been programmed for 2021.

Since its rollout in 2014, revenues from 4G/LTE services have grown rapidly and have become a major product line for the telecommunications utility. The number of customers using the telecommunication utility's 4G/LTE networks servicing the Ketchikan and Skagway markets continued to expand. Growth in cruise ship passenger traffic has also increased the demand for KPU 4G/LTE services. A new agreement reached with KPU's 4G/LTE partner, Verizon Wireless, in 2019 will ensure that these revenues will remain stable during the period covered by the agreement.

Water Revenues: The operating revenues of the Water Division for 2021 have been projected to decrease by \$46,650 from the amount budgeted for 2020 despite a 5% rate increase programmed to become effective on April 1, 2021. Due to the COVID-19 pandemic, Port operations will be limited and water sales are expected to decline by about \$110,000. The table that follows summarizes the major operating revenues of the Water Division.

	2019 Actual	2020 Budget	2020 Estimate	2021 Budget
Residential	\$ 1,838,947	\$ 1,857,900	\$ 1,864,200	\$ 1,934,200
Apartment	394,046	399,200	398,100	413,000
Business	1,448,482	1,474,800	1,437,600	1,491,200
Industrial	100,406	101,500	101,700	105,500
Seafood Processors	331,963	354,100	348,900	362,100
Port	1,890	188,000	-	77,250
Raw Fish Tax	76,272	77,000	69,000	34,500
Miscellaneous	56,089	55,600	37,200	43,700
Total	<u>\$ 4,248,095</u>	<u>\$ 4,508,100</u>	<u>\$ 4,256,700</u>	<u>\$ 4,461,450</u>

Beginning in 2015, the City Council directed that a portion of the proceeds from the State of Alaska's Raw Fish Tax Program be directed towards supporting the operations of the water utility and minimizing the losses that are occurring because seafood processor water rates are subsidized by other customer rate classes. The formula was changed in 2017 from a fixed amount of \$100,000 annually to 23% of the annual raw fish tax payment. In 2019, the City received a payment of \$331,617 from the State of Alaska, the water utility's share was \$76,272. In 2020, the annual payment has been projected by the State to decrease to \$300,000, of which the water the utility would receive about \$69,000. In 2021, the City is projecting an annual payment of \$150,000 and, under the currently formula, the water utility will receive \$34,500. The amount paid by the State of Alaska is based on market value and the size of seafood harvest.

For more information about KPU operating revenues, please see the "D" pages.

OPERATING EXPENDITURES

Operating expenditures, including debt service and payments in lieu of taxes, in the amount of \$42.2 million have been programmed for 2021, a decrease of \$899,188 from the amount appropriated with the adoption of the 2020 Budget. The table below identifies the major operating expenses by division.

	2020 Budget	2020 Estimate	2021 Budget
General Manager	\$ 373,662	\$ 341,535	\$ 361,947
Sales, Marketing & Customer Service	3,143,401	3,005,678	3,077,059
Electric	18,914,093	17,375,471	19,141,759
Telecommunications	16,731,400	15,310,949	15,688,804
Water	3,934,888	3,333,016	3,921,577
Total	<u>\$ 43,097,444</u>	<u>\$ 39,366,649</u>	<u>\$ 42,191,146</u>

The largest increase in operating expenditures is occurring within the electric utility and is being driven by the rising cost of purchased power. The cost of purchased power is projected to increase from \$0.068 to \$0.073 per kWh, effective June 1, 2021. This increase will add \$292,000 to the cost of purchase power and bring its annual total to \$6.79 million.

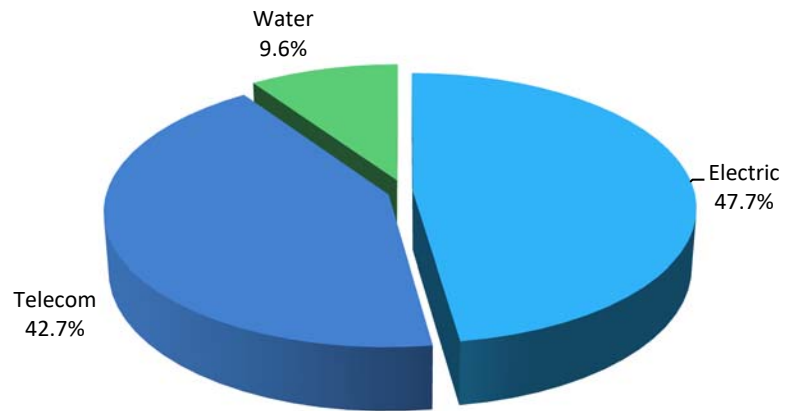
The telecommunications utility is projecting that in 2021, its operating expenditures will decrease by almost \$1.04 million from 2020. Nearly 65% of that decrease is due to placing in service in 2020, the utility's undersea fiber cable, which resulted in the cancellation of leases for transport services provided by third parties, and lower debt service costs associated with the bond issued to finance the undersea fiber cable due to very favorable market conditions taking place at the time the bond was sold. Most of the other reductions in expenditures were the result of efforts to lower operating costs in order to better manage cash flow during the COVID-19 pandemic.

The water utility is projecting a decrease of about \$13,311 in operating expenditures primarily due to the efforts to lower operating costs in order to better manage cash flow during the COVID-19 pandemic. These reductions were partially offset by the addition of two apprentice/trainee waterman positions in anticipation of future retirements.

The Sales, Marketing and Customer Service Division operating expenditures are programmed to decrease by \$66,342 from the amount appropriated in 2020. Nearly all reductions in expenditures were the result of KPU's overall strategy to lower operating costs in order to better manage cash flow during the COVID-19 pandemic.

The following graph identifies operating expenses by operating utility. The cost of operating the General Manager and the Sales, Marketing and Customer Service Divisions have been allocated to the operating utilities in the same a manner as shown on page C-2.

2021 Operating Expenses by Utility

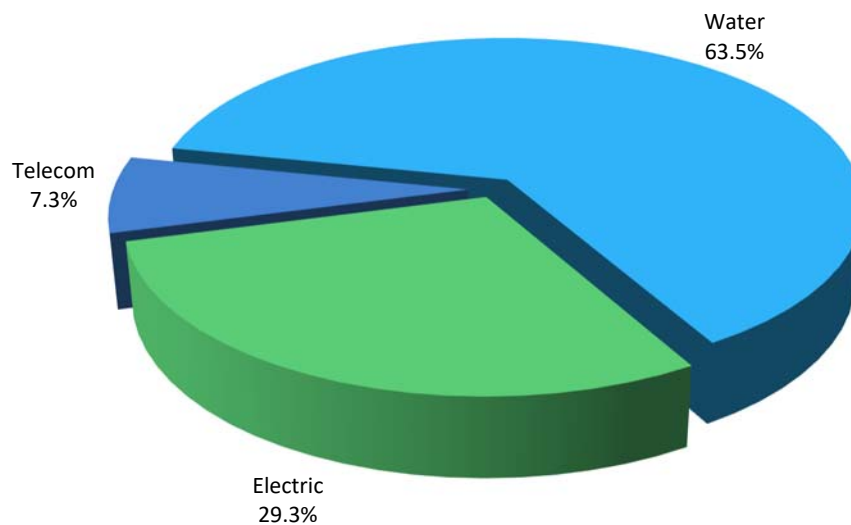


CAPITAL EXPENDITURES

The amount of capital appropriations requested for 2021 is \$13.78 million. The table below identifies the major capital expenses by utility.

	2020 Budget	2020 Estimate	2021 Budget
Electric	\$ 3,937,500	\$ 1,883,126	\$ 4,031,000
Telecommunications	13,475,000	13,208,990	1,000,000
Water	9,356,070	960,693	8,745,377
Total	<u>\$26,768,570</u>	<u>\$16,052,809</u>	<u>\$13,776,377</u>

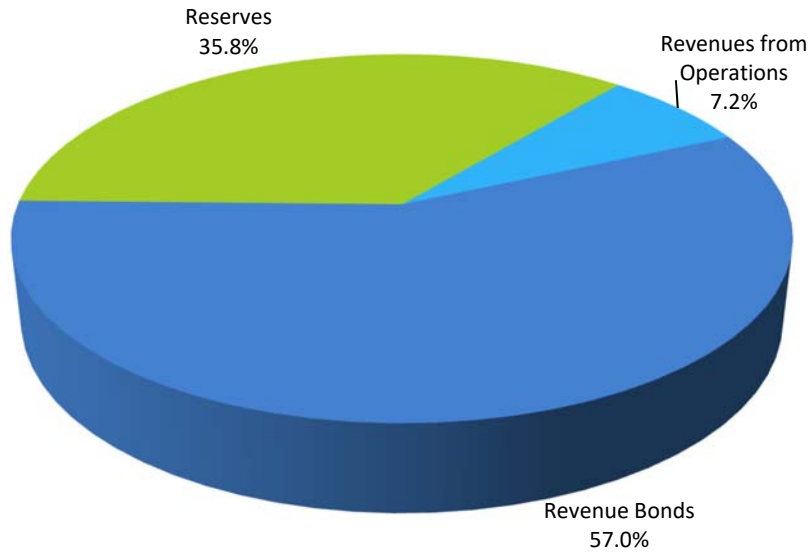
2021 Capital Expenses by Utility



Funding for the proposed capital budget is as follows:

	Amount	Percentage
Revenues from Operations	\$ 1,002,092	7%
Bonds	7,848,677	57%
Reserves	4,925,608	36%
	<u>\$ 13,776,377</u>	<u>100%</u>

Sources of Funding for 2021 Capital Expenses



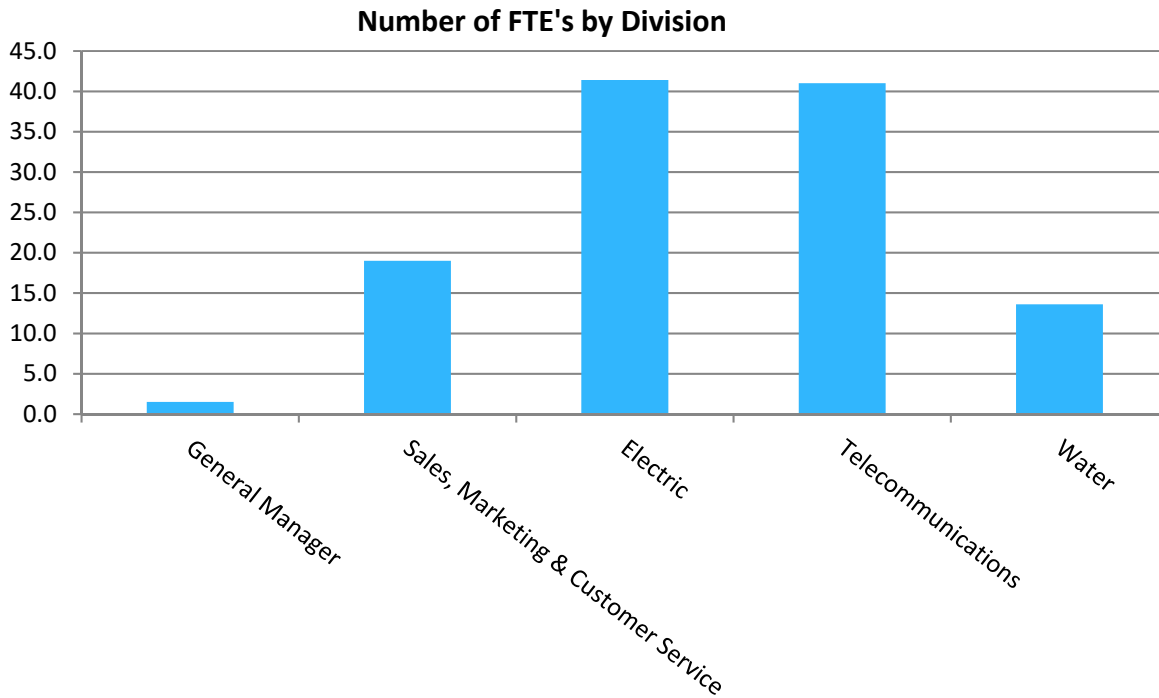
Please see the proposed KPU 2021 - 2025 Capital Improvement Program for information about the projects planned for 2021.

PERSONNEL

The proposed 2021 KPU Budget includes funding for 116.50 full-time equivalent employees (FTE). Staffing has been increased by 2 FTE due to the addition of two apprentice/trainee waterman positions to the staff of the water utility.

The cost of personnel services includes salaries and wages for regular and temporary employees, overtime and employee benefits. Employee benefits include health insurance, retirement, workers compensation, social security, unemployment and accrued leave. The table below identifies the major components of the cost of personnel services.

	2020 Budget	2020 Estimate	2020 Budget
Salaries and Wages - Regular Employees	\$ 9,940,138	\$ 9,449,650	\$ 10,000,719
Salaries and Wages - Temporary Employees	115,000	178,940	114,000
Overtime	735,000	636,600	661,600
Payroll Taxes	825,460	781,240	824,410
Pension	1,798,680	1,733,610	1,817,540
Health and Life Insurance	2,819,190	2,494,990	2,930,250
Workers Compensation	222,950	195,580	219,880
Other Benefits	206,650	206,650	262,520
Allowances	139,240	76,757	134,870
Total	<u>\$ 16,802,308</u>	<u>\$ 15,754,017</u>	<u>\$ 16,965,789</u>
Number of Employees (FTE)	<u>114.50</u>	<u>114.50</u>	<u>116.50</u>



The total cost of personnel for 2021 is projected to increase by \$163,481 to \$16.97 million from the amount appropriated in 2020. Regular salaries and wages are projected to increase by \$60,581 to \$10 million as a result of step increases for employees whose compensation is not tied to the journeyman lineman pay scale and the addition of two apprentice/trainees for the water division. The total increase in the cost salaries and wages has been reduced by staff turnover.

Health insurance costs for 2021 are projected to increase by \$111,060 from what was budgeted for in 2020. Health insurance premiums have been projected to rise by 10% in 2021. Under its collective bargaining agreements with IBEW, KPU will be required to pay 100% of the first five percent of the increase. The second five percent will be shared equally between KPU and its IBEW represented employees. The additional of two apprentice/trainee positions will also increase the cost of health insurance.

Other benefits such as payroll taxes and pension costs that are based on a percentage of compensation have been programmed to increase because of step increases and added personnel. Since no cost of living adjustments have been programmed they will not be a factor in rising benefit costs.

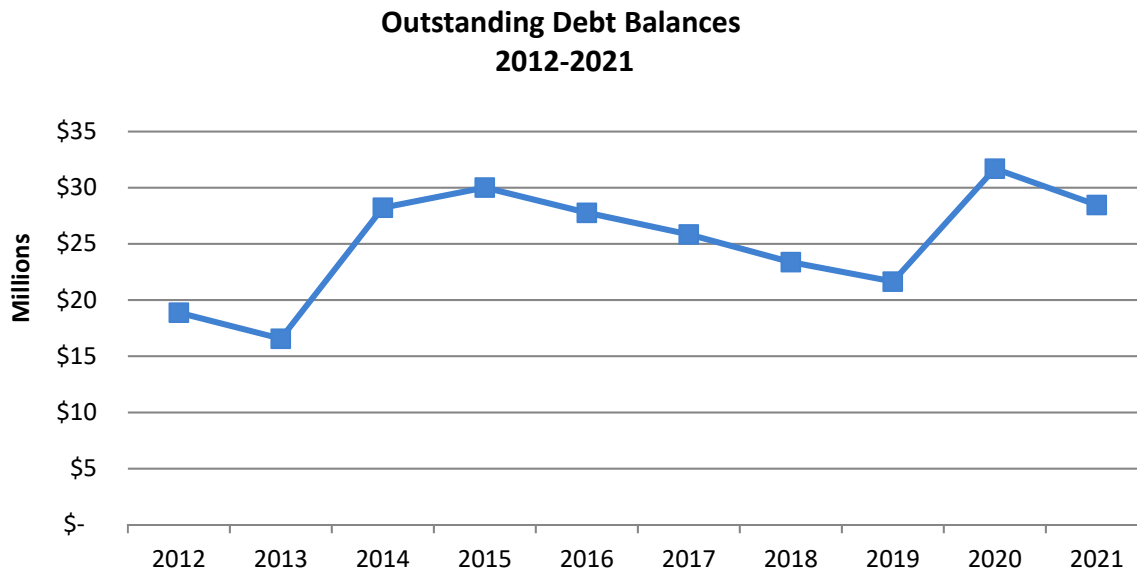
DEBT

In 2021, KPU will have outstanding ten revenue bond issues and one interfund loan totaling \$28.47 million. The table below summarizes KPU's bond issues that will be outstanding on January 1, 2020 and the debt service requirements for 2021.

Issue	Balance	Final	Type	Debt Service		
	Outstanding January 1, 2021			2020 Budget	2020 Estimate	2021 Budget
ADEC 481021	1,172,352	2032	Revenue	\$ 107,118	\$ 53,559	\$ 107,118
ADEC 481051	4,060,189	2032	Revenue	333,357	166,678	333,357
ADEC 481061	859,200	2032	Revenue	70,544	35,272	70,544
ADEC 481091	75,878	2033	Revenue	6,230	3,115	6,230
ADEC 481121	178,616	2033	Revenue	14,666	7,333	14,666
ADEC 481141	538,965	2035	Revenue	39,100	19,550	39,100
ADEC 481041	577,523	2037	Revenue	36,731	18,366	36,731
Series W - CREB	160,000	2022	Revenue	81,800	81,800	81,200
Series X - Whitman	10,160,000	2032	Revenue	1,061,050	1,061,050	1,058,250
Series Y - Telecom	9,520,000	2038	Revenue	846,190	172,420	746,050
Interfund Loan	1,164,540	2019	Interfund	426,209	426,209	426,209
Total	\$ 28,467,263			\$ 3,022,995	\$ 2,045,352	\$ 2,919,455

* Bond will be issued in May 2020

The graph below provides a ten-year history of outstanding debt balances for KPU.



Series X has been issued through the Alaska Municipal Bond Bank. The effective interest rate for this bond is approximately 4% and is based on the Alaska Municipal Bond Bank Authority's AAA credit rating. Series W-CREB has been issued through Banc of America as a clean renewable energy bond and qualified for a federally subsidized interest rate of .75 percent. The ADEC Series is a group of loans issued through the Alaska Department of Environmental Conservation's Drinking Water Loan Program. KPU has acquired seven loans through this program all with an attractive interest rate of 1.5 percent.

The interfund loan is a loan from three General Government funds. In 2013, the Port, Community Facilities Development and Self-Insurance Funds loaned the KPU Fund \$2.7 million, \$700,000 and \$600,000, respectively, for a total of \$4 million. The proceeds from the loan were used to finance the construction of a wireless network and a microwave radio link. The loans will be repaid over a period not to exceed 12 years with interest at an annual rate of four percent. Annual installments of \$426,209 are required and the loan is expected to be paid in full by December 31, 2023.

In June 2020, the City issued a \$9.52 million municipal utility revenue bond through the Alaska Municipal Bond Bank to finance the construction of an undersea fiber cable between Ketchikan, Alaska and Prince Rupert, BC, Canada for the telecommunications utility. The term of the bond is 20 years with an effective interest rate of 2.44%. Average annual debt service payments amount to \$748,000.

KPU is currently required by its bond covenants to maintain debt service coverage of net revenues equal to 1.25 times annual debt service. This coverage ratio is different from the requirements of Resolution No. 90-1645, which requires that KPU maintain a debt service coverage ratio of net revenues equal to no less than 1.5 times annual debt service and no more than 2.0 times annual debt service. Compliance with Resolution No. 90-1645 is discussed below. The proposed spending plan is in compliance with the debt service coverage requirements of KPU's bond covenants. The projected debt coverage is 1.83. Please see page C-5 for more information regarding KPU's projected debt service coverage.

Total annual debt service in the amount of \$2,919,455 has been programmed in the 2021 Budget. On January 1, 2021, the total debt service required to maturity, including interest of \$9,207,903, will be \$37,675,166. Please see pages C-6 and C-7 for more information regarding KPU debt.

COMPLIANCE WITH CITY COUNCIL MANDATED FINANCIAL OBJECTIVES

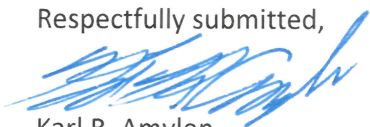
Resolution No. 90-1645, adopted by the City Council in 1990, established certain financial objectives for KPU. In 2013, the Council adopted a new fund balance policy that superseded the fund balance policy contained in Resolution No. 90-1645. The new policy requires KPU to maintain a reserve requirement of no less than 25% of operating expenses. The schedule on page C-5 documents compliance with the reserve requirement and shows that the proposed spending plan for 2021 is in compliance. The required fund balance is \$9.82 million and the projected fund balance is \$10.95 million. As discussed earlier, KPU is required to maintain a debt service coverage ratio of annual net revenues between 1.5 and 2.0 times annual debt service. The debt service coverage ratio for proposed spending plan for 2021 is 1.18 and does **not** satisfy the requirements of Resolution No. 90-1645. Please see page C-5 for more information regarding the requirements of Resolution No. 90-1645.

CONCLUSION

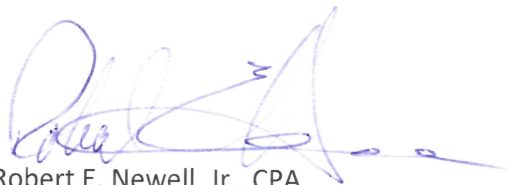
The 2021 Budget allows for the continuation of important utility services to the community of Ketchikan. Staff believes that this document provides the community and the City Council with the opportunity to begin the process of confronting the challenges that lie ahead for KPU in 2021. Over the next few weeks, staff looks forward to working with the City Council to develop a spending plan that moves the community quickly to the forefront and permits KPU to continue to play an important role in shaping the future of the local economy by providing quality and reliable utility services. Since the COVID-19 pandemic is expected to continue to be a public health emergency in 2021, the monitoring of cash flows remains a high priority in order to ensure that KPU will well position to continue to offer its utility services. The City Council and KPU management should be prepared to take action if events warrant modifications or adjustments to the spending plan presented in the 2021 Budget.

We would both like to take this opportunity to express our appreciation to the division managers and their respective staffs for their assistance during the preparation of the KPU 2021 Operating and Capital Budget. Special thanks go to Assistant City Manager/KPU General Manager Lacey Simpson, Financial Analyst Camille Nelson, Executive Assistant Diane Bixby, Senior Electric and Water Accountant Stan Aegerter, Senior Telecommunications Accountant Joe Graham, Senior General Government Accountant Patty Keeley, Treasury and Customer Service Supervisor Meghan Traudt, and Office Services Technician Meadow Muench. Without their efforts and dedication, it would not have been possible to deliver this document to you in a professional and timely manner.

Respectfully submitted,



Karl R. Amylon
KPU General Manager



Robert E. Newell, Jr., CPA
Finance Director

(Note: This transmittal letter does not reflect any subsequent action taken by the City Council during its budget deliberations to modify the spending plan proposed for 2021.)

KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Revenues and Appropriation Summary

	2020			2021
	Adopted	Amended	Estimate	Budget
KPU Enterprise Fund				
Funds Available, January 1	14,467,834	14,467,834	17,283,069	17,281,458
Revenues:				
Electric	18,836,900	18,836,900	18,704,526	18,747,600
Telecommunications	30,319,000	30,319,000	30,558,121	18,547,000
Water	13,062,277	13,062,277	4,962,200	12,310,127
Other	451,000	451,000	268,000	124,000
Total Revenues	62,669,177	62,669,177	54,492,847	49,728,727
Appropriations:				
Administration	373,662	373,662	341,535	361,947
Sales, Marketing & Customer Service	3,143,401	3,143,401	3,005,678	3,077,059
Electric	22,851,593	22,851,593	19,258,597	23,010,949
Telecommunications	30,206,400	30,286,400	27,344,939	17,849,904
Water	13,290,958	13,390,958	4,293,709	12,600,180
Transfer to Facilities & Infrastructure Replacement Fund	250,000	250,000	250,000	250,000
Total Appropriations	70,116,014	70,296,014	54,494,458	57,150,039
Funds Available, December 31	7,020,997	6,840,997	17,281,458	9,860,146

	2020			2021
	Adopted	Amended	Estimate	Budget
KPU Facilities & Infrastructure Replacement Fund				
Funds Available, January 1	750,000	750,000	750,000	1,000,000
Revenues:				
Transfer from KPU Enterprise Fund	250,000	250,000	250,000	250,000
Total Revenues	250,000	250,000	250,000	250,000
Appropriations:				
Transfers to KPU Enterprise Fund				
Total Appropriations				
Funds Available, December 31	1,000,000	1,000,000	1,000,000	1,250,000

KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Summary of Expenditures - All Divisions

	General Manager	Sales, Marketing & Customer Service	Electric	Telecom	Water	Total
Operating Costs:						
Personnel Services and Benefits	327,282	2,168,999	6,546,301	6,078,902	1,781,456	16,902,940
Supplies	3,040	100,400	8,121,500	849,000	304,511	9,378,451
Contract/Purchased Services	6,975	772,980	1,419,595	6,297,455	507,925	9,004,930
Minor Capital Outlay	20,000	7,250	32,500	18,000	3,000	80,750
Interdepartmental Charges	4,650	27,430	1,338,610	1,052,930	452,516	2,876,136
Operating Costs Before PILOT and Debt Service	361,947	3,077,059	17,458,506	14,296,287	3,049,408	38,243,207
Payment in Lieu of Taxes			381,993	206,358	197,649	786,000
Operating Costs Before Debt Service	361,947	3,077,059	17,840,499	14,502,645	3,247,057	39,029,207
Debt Service			1,139,450	1,172,259	607,746	2,919,455
Operating Costs Before Allocation of Overhead	361,947	3,077,059	18,979,949	15,674,904	3,854,803	41,948,662
Allocation of Overhead to Operating Utilities:						
General Manager	(361,947)		180,974	162,876	18,097	-
Sales, Marketing & Customer Service		(3,077,059)	800,035	2,153,941	123,082	-
Total Operating Costs	-	-	19,960,959	17,991,721	3,995,983	41,948,662
Major Capital Outlay			4,031,000	2,175,000	8,745,377	14,951,377
Total Expenditures	-	-	23,991,959	20,166,721	12,741,360	56,900,039
Transfer to KPU Facilities and Infrastructure Fund						250,000
Total Appropriations						57,150,039

KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Number of Employees Comparative Schedule

Division	2018	2019	2020			2021	2021 Adopted/2020	
	Actual	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
5100 GENERAL MANAGER	2.50	2.50	1.50	1.50	1.50	1.50	-	0.0%
5110 SALES, MARKETING & CUSTOMER SERVICE	19.00	19.00	19.00	19.00	19.00	19.00	-	0.0%
5200 ELECTRIC								
Administrative	6.00	6.00	6.00	6.00	6.00	6.00		0.0%
Generation	7.00	7.00	7.00	7.00	7.00	7.00	-	0.0%
Transmission/Distribution	19.40	19.40	19.40	19.40	19.40	19.40	-	0.0%
Maintenance	7.00	9.00	9.00	9.00	9.00	9.00	-	0.0%
Swan Lake	4.00	4.00	0.00	0.00	0.00	0.00	-	0.0%
TOTAL ELECTRIC	43.40	45.40	41.40	41.40	41.40	41.40		
Less Personnel Allocated to Swan Lake	(4.00)	(4.00)	-	-	-	-	-	0.0%
NET ELECTRIC	39.40	41.40	41.40	41.40	41.40	41.40	-	0.0%
5300 TELECOMMUNICATIONS								
Administrative	6.00	6.00	6.00	6.00	6.00	6.00	-	0.0%
Engineering Operations	3.00	3.00	4.00	4.00	4.00	4.00	-	0.0%
Plant Specific Operations	26.00	26.00	25.00	25.00	25.00	25.00	-	0.0%
Plant Non-Specific Operations	6.00	6.00	6.00	6.00	6.00	6.00	-	0.0%
TOTAL TELECOMMUNICATIONS	41.00	41.00	41.00	41.00	41.00	41.00	-	0.0%
5400 WATER	10.93	11.60	11.60	11.60	11.60	12.60	1.00	8.6%
TOTAL KPU EMPLOYEES	116.83	119.50	114.50	114.50	114.50	115.50	1.00	0.9%
Less Personnel Allocated to Swan Lake	(4.00)	(4.00)	-	-	-	-	-	0.0%
NET KPU EMPLOYEES	112.83	115.50	114.50	114.50	114.50	115.50	1.00	0.9%

KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Summary of Funding by Operating Utility

	Total	Operating Revenues	Grants	Bonds/ Loans	Other	Reserves
Electric:						
Operating Costs	18,439,515	18,439,515	-	-	-	-
Debt Service	1,139,450	308,085	-	-	62,000	769,365
Payment in Lieu of Taxes	381,993	-	-	-	-	381,993
Major Capital Outlay	4,031,000	-	-	-	-	4,031,000
Total	23,991,958	18,747,600	-	-	62,000	5,182,358
Telecommunications:						
Operating Costs	16,613,104	16,613,104	-	-	-	-
Debt Service	1,172,259	1,172,259	-	-	-	-
Payment in Lieu of Taxes	206,358	206,358	-	-	-	-
Major Capital Outlay	2,175,000	555,279	-	-	62,000	1,557,721
Total	20,166,721	18,547,000	-	-	62,000	1,557,721
Water:						
Operating Costs	3,190,588	3,190,588	-	-	-	-
Debt Service	607,746	607,746	-	-	-	-
Payment in Lieu of Taxes	197,649	197,649	-	-	-	-
Major Capital Outlay	8,745,377	465,467	-	7,848,677	-	431,233
Total	12,741,360	4,461,450	-	7,848,677	-	431,233
Facilities & Infrastructure Replacement	250,000	-	-	-	-	250,000
Total	57,150,039	41,756,050	-	7,848,677	124,000	7,421,312

KETCHIKAN PUBLIC UTILITIES**2021 Operating and Capital Budget****Compliance With Fund Balance Policy, Resolution No. 90-1645 and KPU Bond Covenants**

Description	Amount
Operating Revenues:	
Electric	18,747,600
Telecommunications	18,547,000
Water	4,461,450
Other	124,000
Total Operating Revenues	41,880,050
Operating Costs:	
Personnel Services and Benefits	16,902,940
Supplies	9,378,451
Contract/Purchased Services	9,004,930
Minor Capital Outlay	80,750
Interdepartmental Charges	2,876,136
Payment in Lieu of Taxes	786,000
Total Operating Costs	39,029,207
Net Revenue	2,850,843
Add Back Payment in Lieu of Taxes	786,000
Net Revenue Available for Debt Service	3,636,843
A. Compliance with Fund Balance Policy:	
Total Operating Costs	39,029,207
Reserve Requirement at 25 Percent of Total Operating Costs	9,757,302
Estimated Reserves, December 31, 2021	11,110,146
Over (Under) Reserve Requirement	1,352,844
B. Compliance with the Debt Service Coverage Requirements of Resolution No. 90-1645:	
Net Revenue Available for Debt Service	3,636,843
Debt Service	2,919,455
Debt Service Coverage (Required Debt Service Coverage: 1.50 - 2.0)	1.25
C. Compliance with the Debt Service Coverage Requirements of KPU's Bond Covenants:	
Net Revenue Available for Debt Service	3,636,843
Debt Service	2,919,455
Less Debt Not Subject to Bond Covenants	(1,033,955)
DebtService Coverage (Required Debt Service Coverage: 1.25)	1.93

KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Annual Debt Service By Utility

Issue	Principal Due	Interest Due	Total Due	Electric Percent	Electric Amount	Telecom Percent	Telecom Amount	Water Percent	Water Amount	Total Percent	Total Amount
Revenue Bond Debt:											
Series W - CREBS	80,000	1,200	81,200	100.00%	81,200	-	-	-	-	100.00%	81,200
ADEC #481021	90,542	16,576	107,118	-	-	-	-	100.00%	107,118	100.00%	107,118
ADEC #481061	58,306	12,238	70,544	-	-	-	-	100.00%	70,544	100.00%	70,544
ADEC #481051	275,526	57,831	333,357	-	-	-	-	100.00%	333,357	100.00%	333,357
ADEC #481091	5,149	1,081	6,230	-	-	-	-	100.00%	6,230	100.00%	6,230
ADEC #481121	12,121	2,545	14,666	-	-	-	-	100.00%	14,666	100.00%	14,666
ADEC #481141	31,366	7,734	39,100	-	-	-	-	100.00%	39,100	100.00%	39,100
ADEC - 481041	28,384	8,347	36,731	-	-	-	-	100.00%	36,731	100.00%	36,731
Series X - Whitman	580,000	478,250	1,058,250	100.00%	1,058,250	-	-	-	-	-	1,058,250
Series Y - Subsea Fiber Cable	315,000	431,050	746,050	-	-	100.00%	746,050	-	-	-	746,050
	1,476,394	1,016,852	2,493,246	-	1,139,450	-	746,050	-	607,746	-	2,493,246

Other Debt:

Advances from Other Funds	379,627	46,582	426,209	-	-	100.00%	426,209	0.00%	-	100.00%	426,209
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Total **1,856,021** **1,063,434** **2,919,455** - **1,172,259** - **607,746** - **2,919,455**

KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Schedule of Current and Future Annual Debt Service

Year	Series W CREBS	Series W ADEC 481021	Series W ADEC 481061	Series W ADEC 481051	Series W ADEC 481091	Series W ADEC 481121	Series W ADEC 481141	Series X Whitman	Series Y ADEC 481041	Interfund Loan	Series Y Undersea Cable	Total
2021	81,200	107,118	70,544	333,357	6,230	14,666	39,100	1,058,250	36,731	426,209	746,050	2,919,455
2022	80,600	107,118	70,544	333,357	6,230	14,666	39,100	1,059,550	36,731	426,209	745,300	2,919,405
2023		107,118	70,544	333,357	6,230	14,666	39,100	1,059,850	36,731	405,704	743,800	2,817,100
2024		107,118	70,544	333,357	6,230	14,666	39,100	1,060,750	36,731		746,550	2,415,046
2025		107,118	70,544	333,357	6,230	14,666	39,100	1,061,875	36,731		748,300	2,417,921
2026		107,118	70,544	333,357	6,230	14,666	39,100	1,061,250	36,731		744,050	2,413,046
2027		107,118	70,544	333,357	6,230	14,666	39,100	1,058,875	36,731		749,050	2,415,671
2028		107,118	70,544	333,357	6,230	14,666	39,100	1,059,625	36,731		747,800	2,415,171
2029		107,118	70,544	333,357	6,230	14,666	39,100	1,058,375	36,731		745,550	2,411,671
2030		107,118	70,544	333,357	6,230	14,666	39,100	1,060,000	36,731		747,300	2,415,046
2031		107,118	70,544	333,357	6,230	14,666	39,100	1,059,375	36,731		747,800	2,414,921
2032		107,118	70,544	333,357	6,230	14,666	39,100	1,061,375	36,731		752,050	2,421,171
2033			70,544	333,357	6,230	14,666	39,100	1,060,875	36,731		749,800	2,311,303
2034			35,272	166,678	3,115	7,333	39,100		36,731		747,000	1,035,229
2035							39,100		36,731		748,400	824,231
2036							19,552		36,731		748,800	805,083
2037									36,731		748,200	784,931
2038									18,365		751,600	769,965
2039											748,800	748,800
	161,800	1,285,416	952,344	4,500,319	84,105	197,991	606,052	13,780,025	642,792	1,258,122	14,206,200	37,675,166

KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Revenue Summary by Utility

Electric Revenues	2019	2020			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operating Revenue							
Residential	7,472,223	7,876,000	7,876,000	7,926,400	7,816,150	(59,850)	-0.8%
Harbor	323,513	344,200	344,200	330,100	330,150	(14,050)	-4.1%
Business	7,172,769	7,392,300	7,392,300	7,301,200	7,401,850	9,550	0.1%
Industrial	1,861,397	1,957,600	1,957,600	1,900,200	1,911,850	(45,750)	-2.3%
Yard Lights	59,037	61,100	61,100	61,000	61,200	100	0.2%
Large Commercial Demand	340,250	345,900	345,900	337,200	343,800	(2,100)	-0.6%
City Street Lights	131,968	131,700	131,700	131,800	131,900	200	0.2%
Industrial Demand	199,761	206,600	206,600	198,100	199,200	(7,400)	-3.6%
Diesel Fuel Surcharge	6,747,735	-	-	(4,000)	-	-	NA
Total Operating Revenue	24,308,653	18,315,400	18,315,400	18,182,000	18,196,100	(119,300)	-0.7%
Other Operating Revenue							
Service Charges	111,977	115,000	115,000	95,400	100,000	(15,000)	-13.0%
Penalty	113,989	100,000	100,000	26,850	50,000	(50,000)	-50.0%
Pole Rentals - External	63,719	69,000	69,000	68,900	68,900	(100)	-0.1%
Pole Rentals - Interdepartmental	138,062	153,500	153,500	153,600	153,600	100	0.1%
Reimbursable Projects	57,961	75,000	75,000	75,000	75,000	-	0.0%
Hydro Incentive Program	134,762	-	-	93,776	95,000	95,000	New
Other Revenue	16,217	9,000	9,000	9,000	9,000	-	0.0%
Total Other Operating Revenue	636,687	521,500	521,500	522,526	551,500	30,000	5.8%
Total Operating Revenue	24,945,340	18,836,900	18,836,900	18,704,526	18,747,600	(89,300)	-0.5%
Nonoperating Revenue							
Grants	-	-	-	-	-	-	NA
Total Nonoperating Revenue	-	-	-	-	-	-	NA
Total Electric Revenue	24,945,340	18,836,900	18,836,900	18,704,526	18,747,600	(89,300)	-0.5%

KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Revenue Summary by Utility

Telecommunications Revenues	2019	2020			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Local Network Services							
Business & Residential	899,198	875,000	875,000	781,000	742,000	(133,000)	-15.2%
Local Special Circuits	983,261	890,000	890,000	970,400	991,000	101,000	11.3%
Other Local Revenue	132,915	127,000	127,000	114,500	114,000	(13,000)	-10.2%
Total Local Revenue	2,015,374	1,892,000	1,892,000	1,865,900	1,847,000	(45,000)	-2.4%
Network Access Services							
Interstate Flat Rate End User	653,202	607,000	607,000	579,600	551,000	(56,000)	-9.2%
Interstate Access Charges	5,147,506	4,658,000	4,658,000	4,806,100	4,772,000	114,000	2.4%
Interstate Special Access Charges	1,727,259	1,780,000	1,780,000	1,952,100	1,855,000	75,000	4.2%
Intrastate Access Charges	1,329,664	1,303,000	1,303,000	949,800	868,000	(435,000)	-33.4%
Total Network Access Services Revenue	8,857,631	8,348,000	8,348,000	8,287,600	8,046,000	(302,000)	-3.6%
Miscellaneous							
Directory Revenue	210,340	205,000	205,000	110,000	-	(205,000)	-100.0%
Miscellaneous Revenue	58,225	51,000	51,000	71,770	72,000	21,000	41.2%
Total Miscellaneous Revenue	268,565	256,000	256,000	181,770	72,000	(184,000)	-71.9%
Nonregulated & Other Revenue							
Customer Premise Eq Sales/Service	25,415	19,000	19,000	23,000	20,000	1,000	5.3%
Payphone Revenue	775	-	-	-	-	-	0.0%
Long Distance Revenue	85,460	79,000	79,000	81,000	88,000	9,000	11.4%
IP Network	5,478,704	5,132,000	5,132,000	5,652,800	5,378,000	246,000	4.8%
4G LTE	3,082,228	3,072,000	3,072,000	3,074,600	3,075,000	3,000	0.1%
Miscellaneous	31,354	21,000	21,000	21,300	21,000	-	0.0%
Total Nonregulated & Other Revenue	8,703,936	8,323,000	8,323,000	8,852,700	8,582,000	259,000	3.1%
Total Operating Revenues	19,845,506	18,819,000	18,819,000	19,187,970	18,547,000	(272,000)	-1.4%
Nonoperating Revenue							
Bond Proceeds	-	11,500,000	11,500,000	11,370,151	-	(11,500,000)	-100.0%
Total Nonoperating Revenue	-	11,500,000	11,500,000	11,370,151	-	(11,500,000)	0.0%
Total Telecommunications Revenue	19,845,506	30,319,000	30,319,000	30,558,121	18,547,000	(11,772,000)	-38.8%

KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Revenue Summary by Utility

Water Revenues	2019	2020			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operating Revenue							
Residential	1,838,947	1,857,900	1,857,900	1,864,200	1,934,200	76,300	4.1%
Apartment	394,046	399,200	399,200	398,100	413,000	13,800	3.5%
Business	1,448,482	1,474,800	1,474,800	1,437,600	1,491,200	16,400	1.1%
Industrial	100,406	101,500	101,500	101,700	105,500	4,000	3.9%
Seafood Processors	331,963	354,100	354,100	348,900	362,100	8,000	2.3%
Port	1,890	188,000	188,000	-	77,250	(110,750)	-58.9%
Fire Hydrant	31,092	31,400	31,400	31,500	32,700	1,300	4.1%
Total Operating Revenue	4,146,826	4,406,900	4,406,900	4,182,000	4,415,950	9,050	0.2%
Other Operating Revenue							
Penalty	23,190	23,200	23,200	4,700	10,000	(13,200)	-56.9%
Other Revenue	1,807	1,000	1,000	1,000	1,000	-	0.0%
Raw Fish Tax	76,272	77,000	77,000	69,000	34,500	(42,500)	-55.2%
Total Other Operating Rev	101,269	101,200	101,200	74,700	45,500	(55,700)	-55.0%
Total Operating Revenue	4,248,095	4,508,100	4,508,100	4,256,700	4,461,450	(46,650)	-1.0%
Water Nonoperating Revenue							
Bond Proceeds	-	8,554,177	8,554,177	705,500	7,848,677	(705,500)	-8.2%
Total Nonoperating Water Revenue	-	8,554,177	8,554,177	705,500	7,848,677	(705,500)	-8.2%
Total Water Revenue	4,248,095	13,062,277	13,062,277	4,962,200	12,310,127	(752,150)	-5.8%

KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Revenue Summary by Utility

Other Revenues	2019	2020			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operating Revenue							
Interest Income	371,113	353,000	353,000	170,000	26,000	(327,000)	-92.6%
Gen Gov Billing and Collections	98,000	98,000	98,000	98,000	98,000	-	0.0%
Total Other Operating Revenue	469,113	451,000	451,000	268,000	124,000	(327,000)	-72.5%

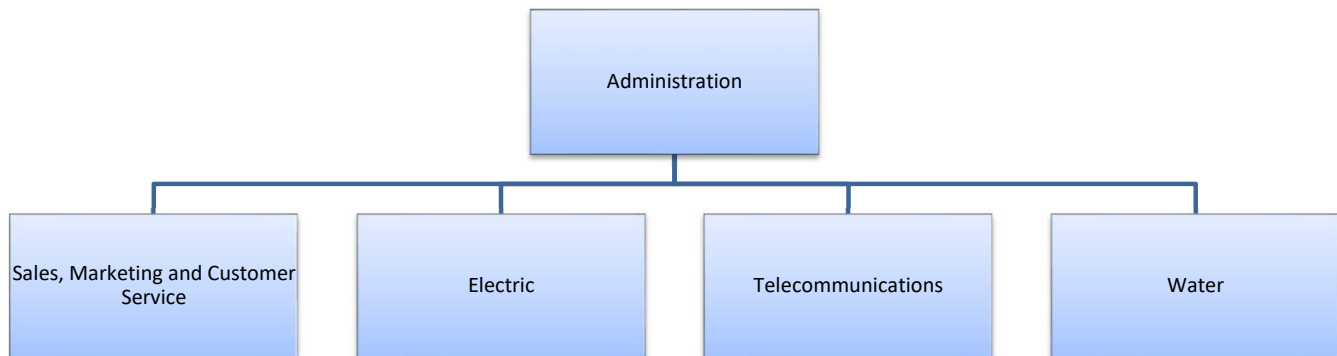
KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Revenue Summary by Utility

All KPU Revenues	2019	2020			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operating Revenues							
Electric	24,945,340	18,836,900	18,836,900	18,704,526	18,747,600	(89,300)	-0.5%
Telecommunications	19,845,506	18,819,000	18,819,000	19,187,970	18,547,000	(272,000)	-1.4%
Water	4,248,095	4,508,100	4,508,100	4,256,700	4,461,450	(46,650)	-1.0%
Other	469,113	451,000	451,000	268,000	124,000	(327,000)	-72.5%
	49,508,054	42,615,000	42,615,000	42,417,196	41,880,050	(734,950)	-1.7%
Nonoperating Revenues							
Electric	-	-	-	-	-	-	NA
Telecommunications	-	11,500,000	11,500,000	11,370,151	-	(11,500,000)	NA
Water	-	8,554,177	8,554,177	705,500	7,848,677	(705,500)	New
Other	-	-	-	-	-	-	NA
	-	20,054,177	20,054,177	12,075,651	7,848,677	(12,205,500)	New
Total Revenue - All Divisions	49,508,054	62,669,177	62,669,177	54,492,847	49,728,727	(12,940,450)	-20.6%

CITY OF KETCHIKAN
2021 Operating and Capital Budget
General Manager

Summary

The General Manager's Office serves as the chief executive of Ketchikan Public Utilities. The office oversees the daily operation of four (4) divisions that have a combined annual budget of \$56.2 million.



The Ketchikan Public Utilities General Manager's Office is comprised of one operating division and oversees one Capital Improvement Program.

DEPARTMENT EXECUTIVE SUMMARY

Divisions/Cost Center/Programs	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operations	363,760	353,662	353,662	339,935	341,947	(11,715)	-3.3%
Capital Improvement Program	-	20,000	20,000	1,600	20,000	-	0.0%
Total	363,760	373,662	373,662	341,535	361,947	(11,715)	-3.1%

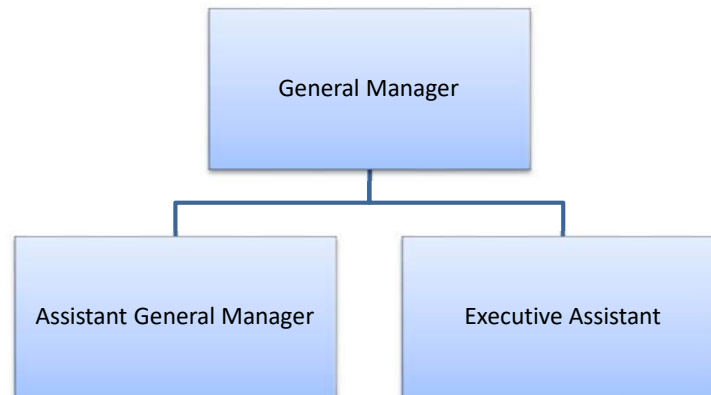
Expenditures by Category	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	350,510	328,562	328,562	322,760	327,282	(1,280)	-0.4%
Supplies	3,246	5,540	5,480	3,040	3,040	(2,500)	-45.1%
Contract/Purchased Services	6,292	13,225	12,565	8,975	6,975	(6,250)	-47.3%
Minor Capital Outlay	1,329	2,025	2,745	1,470	-	(2,025)	-100.0%
Interdept'l Charges/Reimbursable Credits	2,383	4,310	4,310	3,690	4,650	340	7.9%
Major Capital Outlay	-	20,000	20,000	1,600	20,000	-	0.0%
Total	363,760	373,662	373,662	341,535	361,947	(11,715)	-3.1%

Funding Source	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	363,760	373,662	373,662	341,535	361,947	(11,715)	-3.1%
Total	363,760	373,662	373,662	341,535	361,947	(11,715)	-3.1%

Personnel	2019	2020 Budget		2021		2020 Adopted/2021	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
Administration	2.50	1.50	1.50	1.50	220,282	-	0.0%
Total	2.50	1.50	1.50	1.50	220,282	-	0.0%

MISSION STATEMENT

The mission of Ketchikan Public Utilities is to provide quality municipal utility services as efficiently and effectively as possible within guidelines established by federal and state law; the Charter of the City of Ketchikan; the Ketchikan Municipal Code; and the ratepayers of the Utility as represented by the City Council. The General Manager's Office exercises line authority over all Utility divisions with combined operating and capital improvement budgets in support of daily service delivery and furtherance of long-range goals. The General Manager's Office ensures implementation, supervision and evaluation of all Utility activities, programs and facilities. This includes the normal range of programs and projects associated with all Utility divisions and special projects and/or tasks that do not fall within the scope of KPU's traditional departmental structure. The mission of the Administration Division is to ensure that these responsibilities and duties are carried out in a timely and efficient manner that reflects positively on Ketchikan Public Utilities.



GOALS FOR 2021

- Provide timely information and recommendations to the City Council.
- Follow through on direction provided by the City Council as the result of business conducted at regular meetings of the City Council or through enactment of policies provided for in the 2020 Ketchikan Public Utilities Operating and Capital Budget.
- Continue management oversight of General Government.
- Coordinate and improve citizen participation and public information efforts.
- Coordinate and improve employee outreach and recognition programs.
- Strengthen employee focus on customer service and improvement of all Utility programs and services.
- Encourage team building among staff.
- Work with the City Council, the division managers and the community at large to address unresolved issues that resulted from the COVID-19 pandemic.
- Work with the division managers, in order to move forward with City Council approved Capital Improvement Programs.
- In conjunction with the Human Resources Division, complete recruitment efforts for a new Electric Division Manager to succeed Andy Donato, who is expected to retire at the end of March 2021.

- In conjunction with the Human Resources Division, continue negotiations with the International Brotherhood of Electrical Workers, Local 1547 for new collective bargaining agreements to replace that which expire on December 31, 2020.
- Work with the Electric Division Manager to continue the division's modernization program for the diesel generators at the Bailey Power Plant. Evaluate need for additional capacity.
- Continue to work with Telecommunications Division management to take maximum advantage of the recently completed undersea fiber link from Ketchikan to Prince Rupert, British Columbia.
- Work with Alaska Department of Environmental Conservation, in order to obtain a Limited Alternative to Filtration (LAF) in lieu of a Compliance Order by Consent to address issues associated with higher than permitted disinfection byproducts and excessive coliforms in the raw water supply.
- Work with Water Division and Public Works Department management, in order to undertake replacement of failing Schoenbar Road water and sewer mains.
- Work with Water Division and Public Works Department management, in order to complete the deployment of water meters for all commercial water and wastewater utility customers.
- Prepare the draft 2022 Ketchikan Public Utilities Operating and Capital Budget and the 2022-2026 Capital Improvement Plan. Evaluate traditional service delivery in light of continued reductions to state programs and/or direct assistance to municipalities.

ACCOMPLISHMENTS FOR 2020

- Continued management oversight of General Government.
- Submitted the draft 2021 Ketchikan Public Utilities Operating and Capital Budget to the City Council for formal consideration and adoption.
- Worked with the City Council, the division managers and the community to address issues associated with the COVID-19 pandemic. Collaborated with the Ketchikan Gateway Borough to offer utility relief programs utilizing CARES Act funding.
- Served on the Board of Directors of the Southeast Alaska Power Agency.
- Worked with Telecommunications Division management to complete the construction of an undersea fiber link from Ketchikan to Prince Rupert, British Columbia to meet customer bandwidth demands.
- Worked with Water Division and Public Works Department management, in order to continue the deployment of water meters for all commercial water and wastewater utility customers.
- Worked with the Sales, Marketing & Customer Service Division Manager to secure voter approval of revenue bonds for the construction of an undersea fiber link from Ketchikan to Prince Rupert, British Columbia and replacement of failing Schoenbar Road water mains. Both bonds were approved by the voters at the regular election of October 1, 2019.
- Continued to participate as staff to the Ketchikan Gateway Borough/City of Ketchikan Cooperative Relations, Lobbying Executive and Legislative Liaison Committees.
- Continued to update and keep current the General Government and Ketchikan Public Utilities' website.

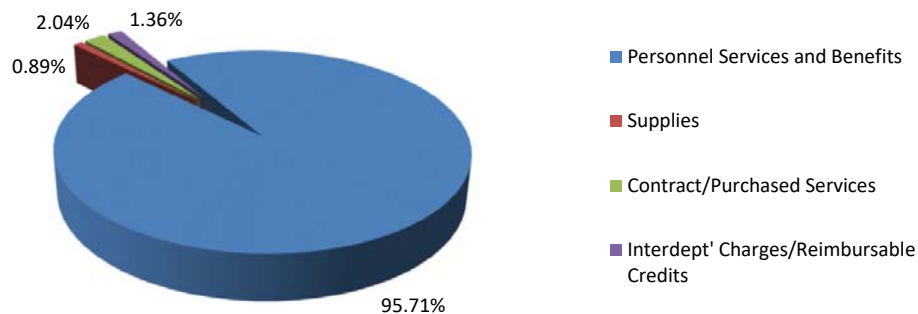
DIVISION SUMMARY

Expenditures by Category	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	350,510	328,562	328,562	322,760	327,282	(1,280)	-0.4%
Supplies	3,246	5,540	5,480	3,040	3,040	(2,500)	-45.1%
Contract/Purchased Services	6,292	13,225	12,565	8,975	6,975	(6,250)	-47.3%
Minor Capital Outlay	1,329	2,025	2,745	1,470	-	(2,025)	-100.0%
Interdept' Charges/Reimbursable Credits	2,383	4,310	4,310	3,690	4,650	340	7.9%
Total Expenditures	363,760	353,662	353,662	339,935	341,947	(11,715)	-3.3%

Funding Source	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	363,760	353,662	353,662	339,935	341,947	(11,715)	-3.3%
Total Funding	363,760	353,662	353,662	339,935	341,947	(11,715)	-3.3%

Personnel	2019	2020 Budget		2021		2020 Adopted/2021	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
General Manager	0.50	0.50	0.50	0.50	112,200	-	0.0%
Assistant General Manager	0.50	0.50	0.50	0.50	74,344	-	0.0%
Executive Assistant	0.50	0.50	0.50	0.50	33,738	-	0.0%
Custodian	1.00	-	-	-	-	-	0.0%
Total	2.50	1.50	1.50	1.50	220,282	-	0.0%

2021 Expenditures by Type



OPERATING BUDGET CHANGES FOR 2021

Changes between the adopted operating budget for 2020 and the proposed operating budget for 2021 that are greater than 5% and \$5,000 are discussed below:

- Travel - Business (Account No. 600.01) decreased by \$6,000, or by 75.0%, to reflect the financial impacts to KPU Operations as a result of the COVID-19 pandemic.

CITY OF KETCHIKAN
2021 Operating and Capital Budget
General Manager

Administration 5100

Operating Expenditures	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits							
500. 01 Regular Salaries and Wages	225,767	219,442	217,892	216,920	220,282	840	0.4%
501. 01 Overtime Wages	291	2,000	1,710	530	1,000	(1,000)	-50.0%
502. 01 Temporary Wages	714	2,000	2,970	2,770	1,000	(1,000)	-50.0%
505. 00 Payroll Taxes	14,374	17,100	17,100	15,600	17,010	(90)	-0.5%
506. 00 Pension	50,503	48,280	49,130	48,730	48,470	190	0.4%
507. 00 Health and Life Insurance	47,982	34,900	34,900	33,350	34,320	(580)	-1.7%
507. 30 Workers Compensation	2,099	610	630	630	650	40	6.6%
508. 00 Other Benefits	5,900	3,930	3,930	3,930	4,250	320	8.1%
509. 07 Allowances-Moving Expense Taxed	2,580	-	-	-	-	-	NA
509. 10 Allowances-Add'l Life Benefit	300	300	300	300	300	-	0.0%
Personnel Services and Benefits	350,510	328,562	328,562	322,760	327,282	(1,280)	-0.4%
Supplies							
510. 01 Office Supplies	698	750	690	690	750	-	0.0%
510. 04 Janitorial Supplies	1,683	2,500	2,500	60	-	(2,500)	-100.0%
515. 01 Vehicle Maintenance Materials	477	400	400	400	400	-	0.0%
520. 02 Postage	39	100	100	100	100	-	0.0%
525. 04 Motor Vehicle Fuel & Lubricants	258	625	625	625	625	-	0.0%
530. 02 Periodicals	-	165	165	165	165	-	0.0%
535. 02 Business and Meal Expenses	91	1,000	1,000	1,000	1,000	-	0.0%
Supplies	3,246	5,540	5,480	3,040	3,040	(2,500)	-45.1%
Contract/Purchased Services							
600. 01 Travel-Business	4,887	8,000	5,840	2,500	2,000	(6,000)	-75.0%
605. 01 Advertising & Public Announcements	-	-	-	-	-	-	NA
605. 02 Marketing	-	250	250	-	-	(250)	-100.0%
615. 01 Professional Licenses & Certifications	45	-	-	-	-	-	NA
615. 02 Assn Membership Fees & Dues	-	1,825	1,825	1,825	1,825	-	0.0%
630. 02 Vehicle Licenses	-	50	50	50	50	-	0.0%
635. 07 Machinery & Equip Maint Services	-	1,000	1,000	1,000	1,000	-	0.0%
635. 12 Technical Services	-	100	100	100	100	-	0.0%
650. 01 Telecommunications	1,360	2,000	3,500	3,500	2,000	-	0.0%
Contract/Purchased Services	6,292	13,225	12,565	8,975	6,975	(6,250)	-47.3%
Minor Capital Outlay							
790. 15 Furniture & Fixtures	20	1,275	1,275	-	-	(1,275)	-100.0%
790. 26 Computers, Printers & Copiers	1,309	750	1,470	1,470	-	(750)	-100.0%
Minor Capital Outlay	1,329	2,025	2,745	1,470	-	(2,025)	-100.0%
Interdepartmental Charges							
825. 01 Interdept'l Charges-Insurance	2,383	4,310	4,310	3,690	4,650	340	7.9%
Interdepartmental Charges	2,383	4,310	4,310	3,690	4,650	340	7.9%
Total Expenditures by Type	363,760	353,662	353,662	339,935	341,947	(11,715)	-3.3%

NARRATIVE

500.01 Regular Salaries and Wages: \$220,282 – This account provides expenditures for the cost of the annual salaries paid to the employees of the General Manager’s Office.

501.01 Overtime Wages: \$1,000 – This account provides expenditures for the compensation paid to the Executive Assistant for hours worked in excess of a regular working cycle. These excess hours typically occur during budget and legislative preparation periods.

502.01 Temporary Wages: \$1,000 – This account provides expenditures for the compensation paid for temporary secretarial/clerical help for those occasions when the Executive Assistant is absent or for additional hours worked when workloads are unusually heavy.

505.00 Payroll Taxes: \$17,010 – This account provides expenditures for employer contributions to Social Security and Medicare and other similar payroll taxes.

506.00 Pension: \$48,470 – This account provides expenditures for employer contributions to retirement plans.

507.00 Health and Life Insurance: \$34,320 – This account provides expenditures for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation: \$650 – This account provides expenditures for employer contributions to workers compensation.

508.00 Other Benefits: \$4,250 – This account provides expenditures for direct claims from former employees for unemployment benefits paid by the State of Alaska and accrued vacation and sick leave.

509.10 Allowances-Add'l Life Benefit: \$300 - This account provides expenditures for the reimbursement of life insurance premiums paid by the General Manager.

510.01 Office Supplies: \$750 – This account provides expenditures for expendable office supply items.

515.01 Vehicle Maintenance Materials: \$400 – This account provides expenditures for the cost associated with the materials to maintain the department’s vehicle.

520.02 Postage: \$100 – This account provides expenditures for the cost for postal related services such as postage and mailing materials.

525.04 Motor Vehicle Fuel & Lubricants: \$625 – This account provides expenditures for the purchase of gasoline and other lubricants used for the operations of the division’s vehicle.

530.02 Periodicals: \$165 - This account provides expenditures for the cost of newspapers, magazines, and trade journals.

535.02 Business and Meal Expenses: \$1,000 - This account provides expenditures for general expenses incurred by the General Manager’s staff during the course of the year.

600.01 Travel-Business: \$2,000 – This account provides expenditures for the cost associated with the business travel by the General Manager and office staff.

615.02 Assn. Membership Fees & Dues: \$1,825 – This account provides expenditures for the cost of membership in the International City/County Management Association and the Alaska Municipal League.

630.02 Vehicle Licenses: \$50 – This account provides expenditures for licensing City vehicles for operations on public highways.

CITY OF KETCHIKAN

2021 Operating and Capital Budget

General Manager

Administration 5100

635.07 Machinery & Equipment Maintenance Services: \$1,000 – This account provides expenditures for routine and non-routine maintenance associated with equipment located in the 3rd and 4th floor copier rooms and KPU's share of the City and KPU's anticipated website maintenance.

635.12 Technical Services: \$100 – This account provides expenditures for the cost of framing government awards and certificates.

650.01 Telecommunications: \$2,000 – This account provides expenditures for monthly wired and wireless charges, long-distance services, long-distance facsimile transmission, line rentals and maintenance of the phone system as well as the iPad 4G Network for the General Manager's Office.

825.01 Interdepartmental Charges-Insurance: \$4,650 – This account provides expenditures for the cost of risk management services.

CITY OF KETCHIKAN
2021 Operating and Capital Budget
General Manager

Capital Budget

Major Capital Outlay	2019 Actual	2020 Budget			2021 Budget	2020 Adopted/2021	
		Adopted	Amended	Estimate		Incr(Decr)	%
735-00 Software	-	20,000	20,000	1,600	20,000	-	0.0%
Total Major Capital Outlay	-	20,000	20,000	1,600	20,000	-	0.0%

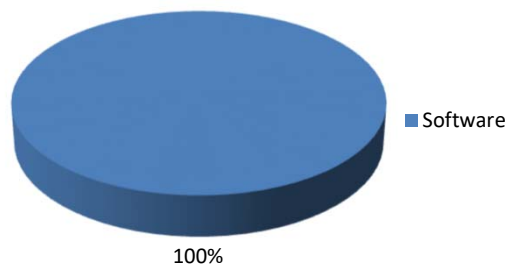
Capital Improvement Projects

Project #	Project	Funding Sources		Total
		KPU Enterprise Fund		

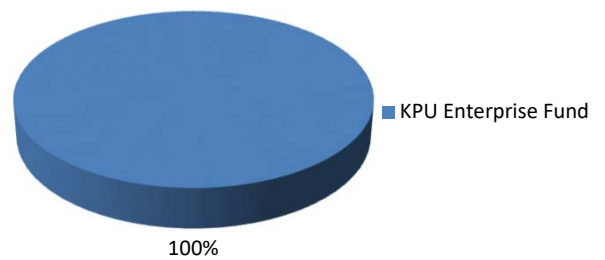
735-00 Software

Financial & Accounting Info System Implementation	20,000			20,000
Total Software	20,000	-	-	20,000
Total Capital Budget	20,000	-	-	20,000

Expenditures by Type

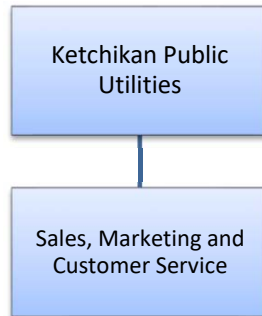


Expenditures by Funding Source



KETCHIKAN PUBLIC UTILITIES**2021 Operating and Capital Budget****Sales, Marketing and Customer Service****Summary**

The Sales, Marketing and Customer Service Division is committed to providing quality and timely customer and billing services to the ratepayers of Ketchikan Public Utilities.



KPU Sales, Marketing and Customer Service is comprised of one operating division.

DEPARTMENT EXECUTIVE SUMMARY

Divisions/Cost Center/Programs	2019 Actual	2020 Budget			2021 Budget	2020 Adopted/2021	
		Adopted	Amended	Estimate		Incr(Decr)	%
Operations	2,705,023	3,143,401	3,143,401	3,005,678	3,077,059	(66,342)	-2.1%
Total	2,705,023	3,143,401	3,143,401	3,005,678	3,077,059	(66,342)	-2.1%

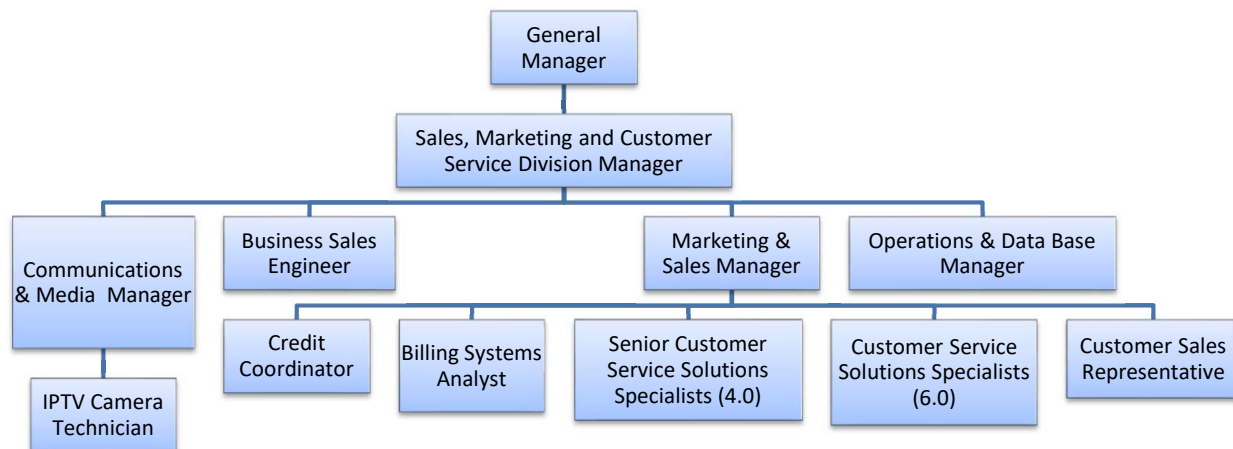
Expenditures by Category	2019 Actual	2020 Budget			2021 Budget	2020 Adopted/2021	
		Adopted	Amended	Estimate		Incr(Decr)	%
Personnel Services and Benefits	1,795,539	2,196,422	2,196,392	2,082,160	2,168,999	(27,423)	-1.2%
Supplies	96,445	100,750	115,250	112,989	100,400	(350)	-0.3%
Contract/Purchased Services	773,266	797,019	780,052	758,822	772,980	(24,039)	-3.0%
Minor Capital Outlay	27,644	27,400	29,867	29,867	7,250	(20,150)	-73.5%
Interdepartmental Charges-Insurance	12,129	21,810	21,840	21,840	27,430	5,620	25.8%
Total	2,705,023	3,143,401	3,143,401	3,005,678	3,077,059	(66,342)	-2.1%

Funding Source	2019 Actual	2020 Budget			2021 Budget	2020 Adopted/2021	
		Adopted	Amended	Estimate		Incr(Decr)	%
KPU Enterprise Fund	2,705,023	3,143,401	3,143,401	3,005,678	3,077,059	(66,342)	-2.1%
Total	2,705,023	3,143,401	3,143,401	3,005,678	3,077,059	(66,342)	-2.1%

Full-time Equivalent Personnel	2019 Actual	2020 Budget		2021		2020 Adopted/2021	
		Adopted	Amended	Budget	Salary	Incr(Decr)	%
Operations	19.00	19.00	19.00	19.00	1,234,359	-	0.0%
Total	19.00	19.00	19.00	19.00	1,234,359	-	0.0%

MISSION STATEMENT

The Sales, Marketing and Customer Service Division is responsible for marketing and selling telecommunication services and products, as well as serving and meeting the needs of all Utility customers.



GOALS FOR 2021

- Achieve continued growth in residential and business internet, as well as business product categories within Telecommunications. Build and maintain Verizon Wireless sales. KPU's new dedicated fiberoptic cable will allow for KPU to upgrade existing customers and to aggressively pursue customers who are not with KPU.
- Focus on KPU's unique strengths in advertising: local support/management, superior customer service, exclusive fiber optic symmetric unlimited Internet, hosted business systems, wireless phones and superior network. Continue to increase web advertising. Rotate ideas/messages and ensure that ideas stay fresh.
- Aggressively sell new residential managed WIFI which will benefit the customer by letting them know when devices need upgrades and which will allow them to manage their own internet connected devices.
- Highlight KPU's strong and successful business offerings by emphasizing professional business techs/specialized products in media and on the website. Market new features, such as mobile IP, hoteling, and other hosted products to new and existing Hosted IP customers to businesses.
- Continue to work to expand KPUtv's product line to include multi-screen and/or Over the Top Video Services (MyTv) to maintain or video customers.
- Continue to revamp and re-energize the KPU Telecommunications Division website through monthly updates and rotating banner ads.

KETCHIKAN PUBLIC UTILITIES

2021 Operating and Capital Budget

Sales, Marketing and Customer Service

Operations 5110

- Continue enhancement of local TV content by establishing new programming focusing on local personalities, such as Elder Oral Histories, and expand local cooking and crafting programs, and to continue to produce features on local artists and craftsmen, as well as local business highlights, and new industries, such as Kelp and distilleries/breweries.
- Continue to freshen local content by rotating hosts and by reworking production of annual events so that the events appear different year-to-year.
- Continue to utilize social media as a key marketing product to build KPU's local presence. Use social media to not only sell but to promote local organizations, and businesses, educate the public on technology and current scams. Tie sales efforts to the website and Internet click through advertising as a unified digital marketing presence.
- Sustain sales culture in Customer Service Representatives (CSRs) by preserving weekly "team huddle" meetings to review successes/misses in addition to current call coaching. Utilize additional employee rewards such as personal notes and recognition in addition to sales incentives to keep staff motivated.
- Continue to utilize monthly Call Coaching to ensure superior customer service, especially with reduced in-person visits and more over the phone interactions.
- Utilize Recruitment Solutions consultants to ensure staff is equipped with appropriate sales skills prior to hire/post hire.
- Continue to identify process improvements in New World electrical billing system to streamline work to allow CSRs to focus on Telecommunications and Verizon Wireless sales.
- Build and develop community awareness of KPU's commitment to community involvement by regular social media, press releases, ads, and new Newsletter/flyer.

ACCOMPLISHMENTS FOR 2020

- Successfully continued to sell Verizon branded cellular equipment and provided technical assistance to local Verizon customers as well as to the few seasonal visitors who made it to Ketchikan. Unit sales were lower than 2019, due to the two month closure of all City and KPU facilities that occurred because of the COVID-19 pandemic, but average device sales exceeded two per day on the days that KPU was open to the public. Technical assistance remained important, although employees were unable to assist as often in-person. Staff trouble shot issues over the phone or occasionally met a customer outside the Plaza Mall or KPU Customer Service offices.
- Year to date 2020, KPU has achieved growth in the following categories; +3% in Internet sales, and +28% in customers opting for unlimited data. The addition of standalone internet contributed to the retention and growth in internet. Standalone allowed KPU to both gain and retain customers who no longer wanted a phone line. With the onset of the COVID-19 pandemic, customers have looked to reduce costs, but internet and unlimited remained important.
- Achieved a +79% growth in Hosted Business systems including VOIP phone system, managed WIFI, managed firewall, managed security camera, and managed data center sales in an already strong market. KPU's hosted products are powerful, cutting edge systems that can be deployed in very small to extraordinarily large businesses. Selling hosted products is a key strategic initiative, ensuring long-term retention of KPU's critical business customers. In 2018, the Sales and Marketing staff engineered the ability to deliver the hosted service over satellite to connect a distant business location to an on-island site. This led to an install of a remote business in 2019 and has led to expansions to other near markets.
- The Business Sales Engineer continued to sign long-term agreements with strategic business customers as well as small business owners. Combined with the division's Hosted IP, dedicated business staff and business service offerings, this has helped to preserve KPU's strong business line presence at more than 85% of the business market. The Marketing Managers coordinated and managed more than 30 complex phone and local area circuit/network jobs for businesses in the community including one emergency phone system installation. They were all completed in a timely and accurate manner, without disruption of business.

- The Business Sales Engineer successfully negotiated the winback to KPU of Cape Fox properties, including acquiring the services for the restaurants, lodges, corporate offices, and cannery location. Several other major businesses were also winbacks from GCI. Key to these winbacks was KPU's stable internet, suite of hosted products, and strong customer service.
- KPU Customer Service and the Credit department responded to the COVID-19 pandemic by working with customers to avoid late fees, and prevent disconnects by signing a COVID-19 impact waiver that would allow them to not pay the late fees and would allow them to avoid disconnect during the pandemic. Individual letters in special labeled envelopes were hand-compiled and sent to over 2,500 customers. Personal calls were also made to many customers informing them about the CARES utility grants, mortgage, and rent relief grants, as well as daycare grants. KPU Customer Service successfully continued to deliver quality service throughout the two-month period in which the store and offices at the Plaza Mall were closed to the public.
- KPU Marketing staff successfully managed the media creation and the majority of the media plan for the local Emergency Operations Center (EOC) COVID-19 Public Information Office when the group was established in March. This group is tasked with educating the community in ways to prevent the spread of COVID-19, to provide resources, answer questions, disseminate state health information, and to communicate state mandates, promote local CARES funding/grants. Projects included the following: banners, signs, flyers, posters, mailers, newspaper advertising, social media posts (Facebook, Instagram, Twitter), bill envelope messaging, radio PSAs, videos, press conferences, live-feed Q & A events, and press releases. A special phone hotline was established for travelers, as well as a joke hotline to provide light relief. The group also was tasked in promoting the Census as part of their work. KPU Marketing designed and funded the September final advertising for the Census. This work was done in addition to the normal job responsibilities performed by the Marketing staff.
- KPU Sales and Marketing continued on a monthly basis to update the KPU Telecommunications website, www.kputel.com. New for 2020 was the addition of a COVID-19 response page. Marketing also rewrote and restructured the Electric and Customer Service portion of the City website, and helped to create and edit the COVID-19 portion of the City website.
- KPU was selected as First Runner Up nationally by the NTCA for the Complete Marketing Campaign in June 2020. This award was presented on-line during the virtual NTCA Sales and Marketing Conference. The award was given to KPU in recognition of the successful marketing efforts KPU produced in its 2019 Fiber Bond Measure Campaign. Special recognition was given for KPU's ability to convince a frustrated public, weary of high KPU electric bills, to agree to take on additional debt, and to the creative use of media interviews in social media. As a government entity KPU was blocked from promoting the vote on-line in social media.
- KPUtv re-engineered its own mobile live streaming computer and camera equipment to livestream important community meetings on YouTube and/or Facebook once COVID-19 guidelines necessitated that City Council meetings be held at the Ted Ferry Civic Center.
- KPUTV was awarded first place for Overall Excellence from Alliance for Community Media/Hometown Media awards for 2019. This is the second year in a row that KPU was given the top honors for a community channel that is judged to provide the highest quality in local programming. KPU's entry was a 20 minute compilation highlighting KPUtv's body of work for 2019, including Museum Minute artist talks, and KAAHC artist spotlights, Healthy Minds mental health talk shows, Kayhi sports, Taste of Southeast, music such as Tram Jams, interviews, Pet of the Month, and event coverage. This year marks the tenth year in which KPU has been recognized for its outstanding local TV shows and documentaries by national organizations. These prestigious awards bring recognition not only to KPU but also to the entire community of Ketchikan by highlighting the many activities, events and colorful personalities found here.
- With the cancellation of the July 4th parade, KPUtv put on-air the last 5 years of parades for the public to view. The annual July 4th Lumberjack competition was pre-filmed and premiered on July 4th on both TV and Facebook live so people could watch it "live." This show was viewed over 11,000 times that weekend.

KETCHIKAN PUBLIC UTILITIES

2021 Operating and Capital Budget

Sales, Marketing and Customer Service

Operations 5110

- KPUTv continues to have high numbers of engagement and views of its video content on social media. Videos have reaches of 20,000 or more for some. Organic reach for KPUTv's content is 8,000 and average views are over 1,600. The reach is well beyond the community of Ketchikan.
- KPUTv hosted the third Annual Ketchikan Film Festival. This year it was promoted as an online event, to avoid large gatherings. Several hundred entries were screened. The result was approximately an hour of unique video featuring Alaska, or created by Alaskans. The selections were compiled for a virtual Film Festival which was live streamed on Facebook and YouTube, as well as on KPUTv.
- KPU helped the school district plan and film a social distance graduation for the 2020 graduates. Included in the nearly two hour production were the commencement speeches, the national anthem played by a graduating senior, students receiving their diplomas, two student created senior spotlight films. The complete project was edited and put on-air on KPUTV, the school website, Facebook, and YouTube. KPU staff also took professional photos of each graduate and posted them to social media for parents to download.
- KPU Marketing, the Business Engineer and KPUTv joined together to host the second annual Gaming Tournament. The event was held in June to build awareness of KPU's superior internet service to Millennials and younger customers. The tournament was filled to capacity and many spectators showed up to watch the squads compete. KPU successfully set up a live stream of four of the players with play by play on the KPU Live in Ketchikan YouTube channel. The event caused a very positive buzz in the community.
- In July KPU received the Pivot 2019 Customer Experience Award. This award is presented to any Telecommunications company who receives excellent reviews from 90% or more of their customers, and who meets or exceeds overall industry customer satisfaction ratings. Few Telecommunication companies meet these requirements.
- The KPU Sales, Marketing and Customer Service Division received an A++ Certification and trophy for highest level security, accuracy, compliance and top level practices from CommSoft for the way KPU manages its ordering, billing and provisioning processes. This was a national award and was a great honor for all of KPU.
- Facebook is a key tool for communicating with customers regarding KPU's image, products, 'presence' and approachability. It is a major advertising medium for sales promotions. Ads can be targeted to a specific group of customers and is very affordable when compared to other types of advertising. Staff maintains four specific Facebook pages:
 - KPU/Live in Ketchikan: KPUTv's local TV programming and events.
 - KPU Telecommunications: Promotes/advertises KPU Telecommunications services, educates, entertains and informs the public on technology, scams, and articles of interest. Also promotes local KPU business partners and local events.
 - KPU Electric: To promote energy conservation, share energy news, alert the public of outages, and create an 'approachable' image.
 - City of Ketchikan: To inform the public of local news, public service announcements and happenings in and around the City.

Facebook allows staff to immediately reply to customers, assist with technical questions, post public information regarding utility outages and other service disruptions, address service issues and introduce/sell products. The regular use of this media has led to increased sales of services, winbacks from the competitors and has saved many potential lost customers. With the pandemic, messaging from the public through social media is 24/7. Marketing staff monitor and respond to citizens/customers 7 days per week.

KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Sales, Marketing and Customer Service

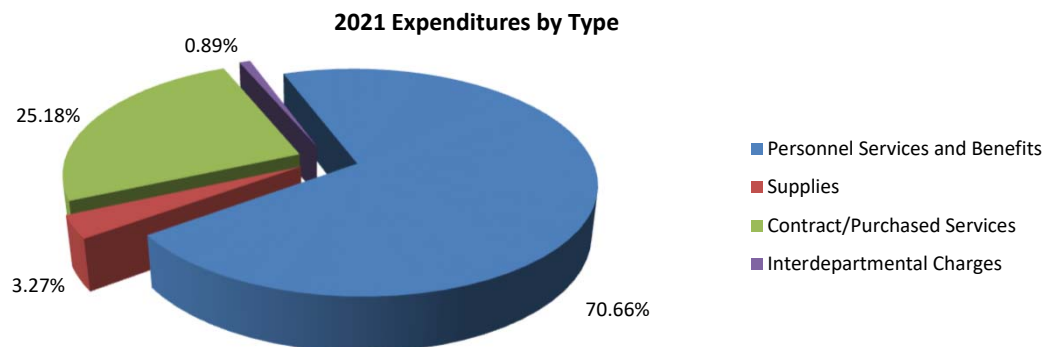
Operations 5110

DIVISION SUMMARY

Expenditures by Category	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	1,795,539	2,196,422	2,196,392	2,082,160	2,168,999	(27,423)	-1.2%
Supplies	96,445	100,750	115,250	112,989	100,400	(350)	-0.3%
Contract/Purchased Services	773,266	797,019	780,052	758,822	772,980	(24,039)	-3.0%
Minor Capital Outlay	27,644	27,400	29,867	29,867	7,250	(20,150)	-73.5%
Interdepartmental Charges	12,129	21,810	21,840	21,840	27,430	5,620	25.8%
Total Expenditures	2,705,023	3,143,401	3,143,401	3,005,678	3,077,059	(66,342)	-2.1%

Funding Source	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	2,705,023	3,143,401	3,143,401	3,005,678	3,077,059	(66,342)	-2.1%
Total Funding	2,705,023	3,143,401	3,143,401	3,005,678	3,077,059	(66,342)	-2.1%

Full-time Equivalent Personnel	2019	2020 Budget		2021		2020 Adopted/2021	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
SM & CS Manager	1.00	1.00	1.00	1.00	126,364	-	0.0%
Business Sales Engineer	1.00	1.00	1.00	1.00	81,789	-	0.0%
Marketing & Sales Manager	1.00	1.00	1.00	1.00	80,610	-	0.0%
Local Content, Social Media & PR Manager	1.00	1.00	1.00	1.00	73,400	-	0.0%
Database Manager	1.00	1.00	1.00	1.00	70,526	-	New
IPTV Camera Technician	1.00	1.00	1.00	1.00	69,867	-	0.0%
Credit Coordinator	1.00	1.00	1.00	1.00	69,822	-	0.0%
Billing System Analyst	1.00	1.00	1.00	1.00	68,474	-	0.0%
Senior Customer Solutions Specialist	4.00	4.00	4.00	4.00	227,241	-	0.0%
Customer Solutions Specialist	6.00	6.00	6.00	6.00	317,386	-	0.0%
Customer Sales Rep I	1.00	1.00	1.00	1.00	48,880	-	0.0%
Total	19.00	19.00	19.00	19.00	1,234,359	-	0.0%



OPERATING BUDGET CHANGES FOR 2021

Changes between the adopted operating budget for 2020 and the proposed operating budget for 2021 that are greater than 5% and \$5,000 are discussed below.

- Overtime Wages (Account No. 501.01) decreased by \$13,500, or by -30.0%, to reflect the financial impacts to KPU operations as a result of the COVID-19 pandemic.
- Incentive Pay (Account No. 509.09) decreased by \$5,000, or by -17.9%, to reflect the financial impacts to KPU operations as a result of the COVID-19 pandemic.
- Travel Business (Account No. 600.01) decreased by \$13,000, or by 100%, to reflect the financial impacts to KPU operations as a result of the COVID-19 pandemic.
- Travel-Training (Account No. 600.02) decreased by \$7,500, or by -100%, to reflect the financial impacts to KPU operations as a result of the COVID-19 pandemic.
- Travel-Training Education (Account No. 600.03) decreased by \$5,000, or by 33.3% to reflect the financial impacts to KPU operations as a result of the COVID-19 pandemic.
- Marketing (Account No. 605.02) decreased by \$16,000, or by 9.1%, to reflect the financial impacts to KPU operations as a result of the COVID-19 pandemic.
- Technical Services (Account 635.12) increased by \$9,980, or by 27.8%, due to account for disinfection spraying in the Customer Service office in response to the COVID-19 pandemic.
- Machinery and Equipment (Account No. 790.25) decreased by \$15,000 or 88.2%, to reflect the financial impacts to KPU operations as a result of the COVID-19 pandemic.
- Interdepartmental - Insurance (Account No. 825.01) increased by \$5,620, or by 25.8%. Property insurance premiums have been increasing in recent years because rising construction costs have had an impact on replacement cost values and poor claims experience in the municipal insurance market. Commercial general liability insurance premiums have been increasing due to poor claims experience. Liability insurance accounts for about 63% of the total interdepartmental insurance charge.

DIVISION OPERATING BUDGET DETAIL

Operating Expenditures			2019	2020 Budget		2021	2020 Adopted/2021		
			Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits									
500	.01	Regular Salaries and Wages	989,227	1,248,442	1,243,482	1,187,460	1,234,359	(14,083)	-1.1%
501	.01	Overtime Wages	39,970	45,000	45,000	27,610	31,500	(13,500)	-30.0%
502	.01	Temporary Wages	27,454	28,500	33,370	35,440	28,500	-	0.0%
505	.00	Payroll Taxes	79,698	101,130	101,130	94,610	99,020	(2,110)	-2.1%
506	.00	Pension	208,124	248,630	248,630	234,440	246,560	(2,070)	-0.8%
507	.00	Health and Life Insurance	406,454	469,550	469,550	452,870	477,740	8,190	1.7%
507	.30	Workers Compensation	3,548	3,580	3,640	3,640	3,750	170	4.7%
508	.00	Other Benefits	19,140	22,590	22,590	22,590	24,070	1,480	6.6%
509	.09	Incentive Pay	21,924	28,000	28,000	23,000	23,000	(5,000)	-17.9%
509	.12	Allowances-Vehicles	-	1,000	1,000	500	500	(500)	-50.0%
Personnel Services and Benefits			1,795,539	2,196,422	2,196,392	2,082,160	2,168,999	(27,423)	-1.2%

KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Sales, Marketing and Customer Service

Operations 5110

Operating Expenditures		2019	2020 Budget			2021	2020 Adopted/2021	
		Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Supplies								
510	.01 Office Supplies	20,903	21,000	18,200	18,000	19,000	(2,000)	-9.5%
510	.02 Operating Supplies	7,694	9,000	11,400	11,400	9,000	-	0.0%
510	.03 Safety Program Supplies	-	200	200	-	200	-	0.0%
510	.04 Janitorial Supplies	1,039	1,200	3,300	3,300	3,300	2,100	175.0%
510	.05 Small Tools & Equipment	975	-	-	-	-	-	0.0%
515	.01 Vehicle Maintenance Materials	678	1,000	1,400	1,400	1,000	-	0.0%
520	.01 Express Postage	-	250	250	-	-	(250)	-100.0%
520	.02 Postage	2,597	3,000	9,400	9,400	3,000	-	0.0%
520	.03 Bulk Mailing	57,480	59,000	65,000	65,000	62,000	3,000	5.1%
520	.04 Materials & Supplies	47	-	-	-	-	-	NA
525	.04 Vehicle Motor Fuel & Lubricants	451	500	500	150	500	-	0.0%
530	.02 Periodicals	-	300	300	276	300	-	0.0%
530	.03 Professional & Technical Publications	-	300	300	-	-	(300)	-100.0%
535	.02 Allowances-Business and Meal Expense	2,062	2,000	2,000	1,063	1,100	(900)	-45.0%
535	.04 Allowances-Uniforms/Clothing/Badges	2,519	3,000	3,000	3,000	1,000	(2,000)	-66.7%
	Supplies	96,445	100,750	115,250	112,989	100,400	(350)	-0.3%
Contract/Purchased Services								
600	.01 Travel-Business	14,859	13,000	13,000	5,000	-	(13,000)	-100.0%
600	.02 Travel-Training	3,798	7,500	7,500	500	-	(7,500)	-100.0%
600	.03 Travel-Training and Education	13,221	15,000	15,000	15,000	10,000	(5,000)	-33.3%
605	.01 Ads & Public Announcements	2,189	1,500	5,569	5,569	1,500	-	0.0%
605	.02 Marketing	161,260	176,000	142,861	140,000	160,000	(16,000)	-9.1%
605	.03 Printing and Binding	12,521	15,000	10,000	8,500	9,000	(6,000)	-40.0%
610	.01 Community Promotion	5,522	6,000	2,200	1,500	6,000	-	0.0%
615	.02 Assn. Membership Dues & Fees	1,175	1,400	1,400	1,400	1,400	-	0.0%
630	.02 Vehicle Licenses	-	20	20	20	20	-	0.0%
630	.03 Bank and Merchant Charges	238,385	245,000	250,000	250,000	255,000	10,000	4.1%
630	.04 Broadcast Content Fees	2,565	2,600	2,600	2,600	2,600	-	0.0%
635	.02 Janitorial & Cleaning Services	7,200	7,200	7,200	7,200	7,200	-	0.0%
635	.06 Building and Grounds Maint Services	1,500	-	-	-	-	-	NA
635	.07 Machinery & Equipment Maint Services	1,541	2,600	2,642	2,642	2,600	-	0.0%
635	.12 Technical Services	46,117	35,900	45,880	45,880	45,880	9,980	27.8%
635	.14 Other Contractual Services	6,662	6,000	6,000	6,000	6,000	-	0.0%
640	.04 Management & Consulting Services	105,965	111,200	115,000	115,000	115,000	3,800	3.4%
645	.01 Rents and Leases-Land & Buildings	102,980	105,283	105,105	104,636	105,680	397	0.4%
645	.02 Rents and Leases-Machinery & Equip	235	700	700	-	400	(300)	-42.9%
650	.01 Telecommunications	38,757	38,316	41,175	41,175	38,500	184	0.5%
650	.02 Electric, Water, Sewer & Solid Waste	6,814	6,800	6,200	6,200	6,200	(600)	-8.8%
	Contract/Purchased Services	773,266	797,019	780,052	758,822	772,980	(24,039)	-3.0%
Minor Capital Outlay								
790	.15 Furniture and Fixtures	5,450	2,400	6,731	6,731	600	(1,800)	-75.0%
790	.25 Machinery & Equipment	11,847	17,000	15,000	15,000	2,000	(15,000)	-88.2%
790	.26 Computers, Printers & Copiers	9,612	7,500	7,500	7,500	4,000	(3,500)	-46.7%
790	.35 Software	735	500	636	636	650	150	30.0%
	Minor Capital Outlay	27,644	27,400	29,867	29,867	7,250	(20,150)	-73.5%

KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Sales, Marketing and Customer Service

Operations 5110

Operating Expenditures	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Interdepartmental Charges							
825 .01 Interdepartmental Charges-Insurance	12,129	21,810	21,840	21,840	27,430	5,620	25.8%
Interdepartmental Charges	12,129	21,810	21,840	21,840	27,430	5,620	25.8%
Total Expenditures by Type	2,705,023	3,143,401	3,143,401	3,005,678	3,077,059	(66,342)	-2.1%

NARRATIVE

500.01 Regular Salaries and Wages: \$1,234,359 – This account provides expenditures for compensation paid to all regular salaried and hourly employees of the Sales, Marketing and Customer Service Division.

501.01 Overtime Wages: \$31,500 - This account provides expenditures for compensation paid to all hourly employees for hours worked in excess of a regular working cycle or beyond the hours listed in the bargaining agreement. Includes after hours filming, Verizon required training done before hours, and regularly scheduled overtime due to mall hours, and Saturday hours worked by employees whose hire dates predated 2009.

502.01 Temporary Wages: \$28,500 – This account provides expenditures for the compensation paid to temporary, part-time camera operators for the filming of televised events when more than one camera is required or for when events to be filmed are scheduled to occur simultaneously and for assisting with filming and projection for special projects.

505.00 Payroll Taxes: \$99,020 – This account provides expenditures for employer contributions for Social Security and Medicare and other similar payroll related taxes.

506.00 Pension: \$246,560 – This account provides expenditures for employer contributions to retirement plans.

507.00 Health and Life Insurance: \$477,740 – This account provides expenditures for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation: \$3,750 – This account provides expenditures for employer contributions to workers compensation.

508.00 Other Benefits: \$24,070 – This account provides expenditures for direct claims from former employees for unemployment benefits paid by the State of Alaska and accrued vacation and sick leave.

509.09 Allowances - Incentive Pay: \$23,000 - This account provides expenditures for employee incentive and suggestion programs. Specifically this refers to the Upgrade Sales Incentive Program for CSR I, CSS & Senior CSS for add-on sales and Verizon Wireless sales. Outside Plant Technicians and Customer Support Specialists are also eligible for the program.

509.12 Allowances – Vehicles: \$500 – This account provides expenditures for an allowance for employees use of personal vehicles while on official KPU business. These benefits are taxable to employees. This was new for 2015 to allow for the retirement of two SM & CS vehicles that are now inoperable. Rather than incur expense for replacement cars, employees can be reimbursed for use of a personal vehicle for KPU business.

510.01 Office Supplies: \$19,000 - This account provides expenditures for paper, pens, pencils, adding machine ribbons and tape, note pads, file folders, scotch tape, toner, ink cartridges, photocopy charges for leased copiers, small desk accessories and minor office equipment such as adding machines, staplers, tape dispensers, scanners and paper shredders. New printer ink is a significant expense.

KETCHIKAN PUBLIC UTILITIES

2021 Operating and Capital Budget

Sales, Marketing and Customer Service

Operations 5110

510.02 Operating Supplies: \$9,000 - This account provides expenditures for supplies that are normally not of a maintenance nature and are required to support division operations. Included are supplies such as credit forms, letterhead, envelopes, adjustment forms, deposit slips, books, ink stamps, brochures, postage machinery, DVDs, terabytes, water, supplies for Celeb Chef, Outdoor Challenge, and other special programs, employee awards and recognition pins, masks.

510.03 Safety Program Supplies: \$200 - This account provides expenditures for the City safety program. Included are safety information brochures and safety training audio and video programs.

510.04 Janitorial Supplies: \$3,300 – This account provides expenditures for cleaning and sanitation supplies used by in-house and contracted janitors. This also includes additional sanitizing spray and wipes, gloves.

515.01 Vehicle Maintenance Materials: \$1,000 - This account provides expenditures for the repair and maintenance of the vehicles used by the Sales, Marketing & Customer Service Division, which includes one SUV and a filming flatbed truck.

520.02 Postage: \$3,000 - This account provides expenditures for postal related services such as incidental postage, mailing materials, US Postal Service permits and postage machine refill.

520.03 Bulk Mailing: \$62,000 - This account provides expenditures for bulk mailing of monthly bills and invoices for City and KPU services, brochures, mass public notices and other similar types of mailings.

525.04 Vehicle Motor Fuel and Lubricants: \$500 - This account provides expenditures for gasoline and lubricants used in the operations of Sales, Marketing and Customer Service Division vehicles.

530.02 Periodicals: \$300 - This account provides expenditures for newspapers, magazines and trade journals. Specifically, this accounts for the Ketchikan Daily News subscription.

535.02 Business and Meals Expense: \$1,100 – This provides expenditures for meal expenses incurred with vendors, at trade shows, recruitment meal expenses and employee award/recognition cakes, etc. It also provides for Chamber of Commerce monthly lunch tickets.

535.04 Allowances-Uniforms/Clothing/Badges: \$1,000 - This account provides expenditures for direct purchases of or reimbursements to employees for work related clothing required by department policies. Included are nameplates, name badges, KPU logowear for staff. Also includes logo embroidery for other items such as hats, aprons, etc.

600.03 Training and Education: \$10,000 – This account provides expenditures for registration fees, training fees, and training materials associated with training and educating employees and on-premises training programs provided by staff or a third-parties, such as Measure-X or Pivot.

605.01 Ads and Public Announcements: \$1,500 - This account provides expenditures for advertising and announcements in publications, newspapers, trade journals and the Internet for recruitment.

605.02 Marketing and Advertising: \$160,000 - This account provides expenditures for advertising, image building and promotion in publications, newspapers, Internet, radio and TV broadcasts. Included are promotional KPU logo products and media. Production and design costs for the creation of ad and marketing materials are also included in this account.

605.03 Printing and Binding: 9,000 – This account provides expenditures for printing and binding services. Included are designing and printing of forms, posters, flyers, user manuals and channel guides for distribution in the Sales, Marketing and Customer Service Division.

610.01 Community Promotion: \$6,000 – This account provides expenditures for the promotion of community activities and programs. Included are donations to civic organizations, sport teams and hosting or sponsoring community events.

KETCHIKAN PUBLIC UTILITIES

2021 Operating and Capital Budget

Sales, Marketing and Customer Service

Operations 5110

615.02 Assn. Membership Dues & Fees: \$1,400 – This account provides expenditures for memberships in professional and trade associations, such as National Association of Telecommunications Officers and Advisors, Alliance for Community Media, Progressive Business Publications and Rotary.

630.02 Vehicle License: \$20 – This account provides expenditures for license fees for KPU vehicles.

630.03 Bank and Merchant Charges: \$255,000 – This account provides expenditures for monthly bank account service charges, merchant fees paid to banks for customer use of credit and debit cards and other fees for banking services.

630.04 Broadcast Content Fee: \$2,600 – This account provides expenditures for license fees for use of music databases and covers the use of copyrighted music. Included in this account Megatrax and other sources.

635.02 Janitorial and Cleaning Services: \$7,200 - This account provides expenditures for services to clean facilities owned or leased by the Sales, Marketing and Customer Service Division. Included are janitorial and carpet cleaning services.

635.07 Machinery and Equipment Maintenance Services: \$2,600 - This account provides expenditures for contractual services for the repair and maintenance of office equipment, machinery and other operating equipment used by the Sales, Marketing and Customer Service Division. This account includes contract labor and materials required to provide the services, including maintenance service agreements with Neopost, SE Business Machines and Tongass Business Center.

635.12 Technical Services: \$45,880 - This account provides expenditures for services that are not regarded as professional but require technical or special knowledge. Included are CBC Innovis (credit reporting), Weather Central (weather channel server maintenance), PIVOT Webhosting, PIVOT Google SEO, Pivot Consulting, IQ/RQ Metrix Verizon POS, Computer HQ, Nixle Alert, social media archive storage, and Advanced Communications panic alarm, Computer HQ, Channel Electric, Pest Control spray and Covid 19 Spray.

635.14 Other Contractual Services: \$6,000 - This account provides expenditures for contractual services for local TV content.

640.04 Management and Consulting Services: \$115,000 - This account provides expenditures for management and consulting services. This refers to Pivot Group Quality Assurance, Hiring Solutions, independent film editors and OSG Billing Services (bill print vendor). Increase is partially due to additional services from OSG (tracking, and message envelope print)

645.01 Rents and Leases - Land and Buildings: \$105,680 - This account provides expenditures for the lease of retail, production and storage space at the Plaza Mall for the Sales, Marketing and Customer Service Division.

645.02 Rents and Leases - Machinery & Equipment: \$400 - This account provides expenditures for the rent and lease of machinery and equipment, sports filming lifts and incidental equipment needed for exposition and events.

650.01 Telecommunications: \$38,500 - This account provides expenditures for telecommunication services. Included are charges for wired and wireless telecommunications services, cell phones, Internet, long distance and toll-free numbers and test cellular equipment for sale.

650.02 Electric, Water, Sewer & Solid Waste: \$6,200 - This account provides expenditures for electric, water, sewer and solid waste utility services.

790.15 Furniture & Fixtures: \$600 - This account provides expenditures for acquisition of furniture and fixtures. Included are desks, chairs, tables, workstations, file cabinets, storage cabinets and shelving. This is specifically for replacement sneeze guards and chairs.

790.25 Machinery & Equipment: \$2,000 - This account provides expenditures for the acquisition, repair and replacement of filming equipment.

KETCHIKAN PUBLIC UTILITIES

2021 Operating and Capital Budget

Sales, Marketing and Customer Service

Operations 5110

790.26 Computers, Printers & Copiers: \$4,000 - This account provides expenditures for the acquisition of desktop, laptops, and computers, copiers and fax machines. This is specifically for the replacement of 5 computers .

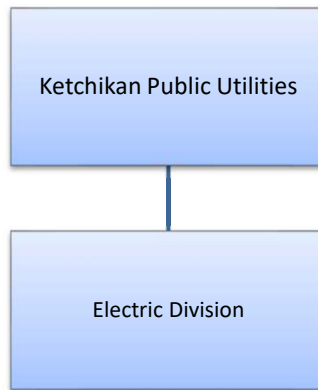
790.35 Software: \$650 - This account provides expenditures for acquisition of software systems and upgrades not covered by maintenance agreements.

825.01 Interdepartmental Charges-Insurance: \$27,430 - This account provides expenditures for the cost for risk management services.

KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Electric Division

Summary

The Electric Division is one of three utilities operated by Ketchikan Public Utilities, a non-regulated public utility owned by the City of Ketchikan. The Electric Division operates three hydroelectric projects and six diesel generating units. The Electric Division serves a community of nearly 14,000 and is capable of meeting an annual customer demand for energy in excess of 180,000,000 kWh.



The Electric Division is comprised of one operating division and oversees one Capital Improvement Program.

DEPARTMENT EXECUTIVE SUMMARY

Divisions/Cost Center/Programs	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operations	22,551,729	18,914,093	18,914,093	17,375,471	18,979,949	65,856	0.3%
Capital Improvement Program	2,042,221	3,937,500	3,937,500	1,883,126	4,031,000	93,500	2.4%
Total	24,593,950	22,851,593	22,851,593	19,258,597	23,010,949	159,356	0.7%

Expenditures by Category	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	5,643,412	6,519,156	6,520,456	5,880,730	6,546,301	27,145	0.4%
Supplies	11,856,836	7,978,000	7,976,700	7,518,613	8,121,500	143,500	1.8%
Contract/Purchased Services	2,416,222	1,424,625	1,424,625	1,112,705	1,419,595	(5,030)	-0.4%
Minor Capital Outlay	25,274	52,500	52,500	21,500	32,500	(20,000)	-38.1%
Interdepartmental Charges	1,161,420	1,386,030	1,386,030	1,317,080	1,338,610	(47,420)	-3.4%
Debt Service	1,066,572	1,142,850	1,142,850	1,142,850	1,139,450	(3,400)	-0.3%
Payment in Lieu of Taxes	381,993	410,932	410,932	381,993	381,993	(28,939)	-7.0%
Major Capital Outlay	2,042,221	3,937,500	3,937,500	1,883,126	4,031,000	93,500	2.4%
Total	24,593,950	22,851,593	22,851,593	19,258,597	23,010,949	159,356	0.7%

Funding Source	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	24,593,950	22,851,593	22,851,593	19,258,597	23,010,949	159,356	0.7%
Total	24,593,950	22,851,593	22,851,593	19,258,597	23,010,949	159,356	0.7%

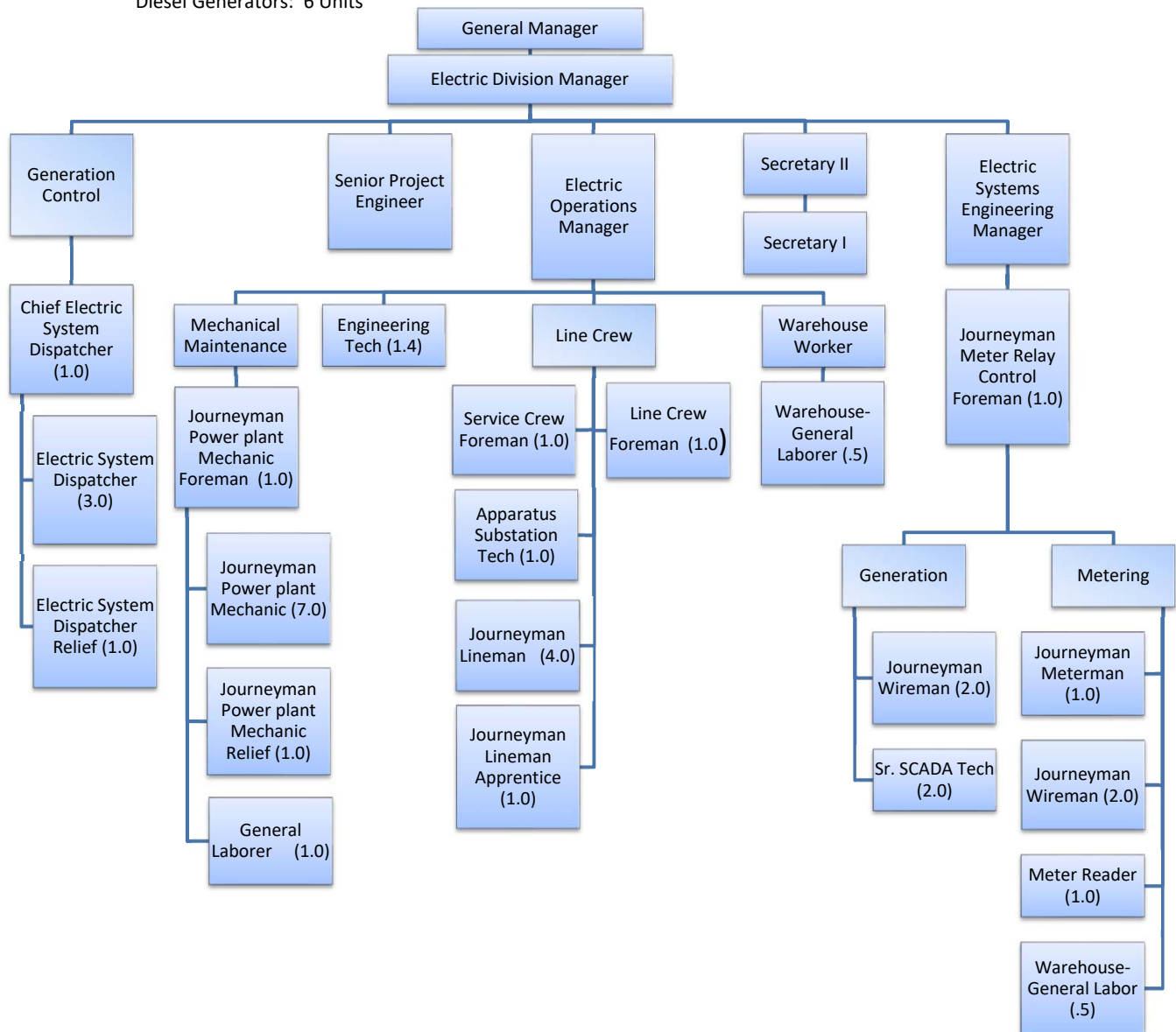
Full-time Equivalent Personnel	2019	2020 Budget		2021		2020 Adopted/2021	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
Operations	41.40	41.40	41.40	41.40	3,822,381	-	0.0%
Total	41.40	41.40	41.40	41.40	3,822,381	-	0.0%

MISSION STATEMENT

The mission of the Electric Division is to provide safe, reliable electric service to meet the current and growing needs of the community at the lowest practicable rates.

2020 Electric Division Statistics

Metered Customer Base Count:	7,813	Substations/Switchyards:	12
Poles (less SEAPA owned):	3,973	Switches & Fuses:	2,926
Transformers:	1,933	LED Street Lights:	642
		HPS Street Light:	1,158
Distribution Line:	100.9 miles		
Transmission Line:	32.28 miles	Secondary Radial Line:	125.1 miles
Hydro Generators:	9 Units/3 Licensed Projects	Regulatory Compliance:	FERC; EPA; DEC; USCG
			OSHA; NESC; NEC
Diesel Generators:	6 Units		



GOALS FOR 2021

- **Safety and Environmental:**
 - Review and revise as necessary division safety policies and practices; and
 - Remain in compliance with all regulatory agency required policies.
- **Customer Service:**
 - Improve system reliability through expanded system sectionalizing;
 - Provide improved communications and informational resources on electric services to the public; and
 - Continue to notify the public with pertinent information regarding outages as quickly as practical.
- **Generation:**
 - Continue to work with SEAPA staff and member communities to optimize resources;
 - Provide support in development of future generation projects;
 - Expand the hydroelectric asset testing and evaluation program to improve system reliability; and
 - Evaluate equipment and facilities to develop a long term replacement program.
- **Transmission and Distribution Facilities:**
 - Continue replacement of aging overhead & underground equipment & apparatus;
 - Continue with tree removal and pruning;
 - Continue developing and implementation of sectionalizing capability to minimize outage impacts and ease cold load pick up; and
 - Begin implementation of plans to replace the Ketchikan International Airport's submarine electrical cable.

ACCOMPLISHMENTS FOR 2020

After recovering from two consecutive drought years and record diesel generation expense, 2020 brought additional challenges in what turned out to be a world-wide pandemic. As is well known, the situation escalated rapidly. In early March, City management activated a pandemic Emergency Operations Center (EOC) that recommended community mandates following the severity of the outbreak. For KPU Electric this meant the division had to execute an action plan, which integrated the Alaska mandate of "stay home, stay safe", while maintaining essential generation and transmission services. Despite major disruptions to normal procedures, Electric Division staff provided continuity of service to residents and businesses within the community.

In order to maintain such service continuity, the Electric Division transitioned to a remote operation literally overnight. This was made possible through the efforts of the City IT and KPU Telecom groups, which transitioned General Government and KPU staff to a remote work operation.

KPU Electric never stopped continuing to create new and expanding services to the community. Staff and field teams explored creative ways to continue construction opportunities in conjunction with any social distancing protocols that were in place. The division continued to plan for an on-time, in-person start for these essential service projects. Examples included services to businesses such as 108 Tap House, Ketch My Drip Coffee, Seley Condo Assn., Texas BBQ, Vigor Ship Yard, Orca Street Properties, and Ward Cove Group, along with numerous residential services.

The division has now adjusted well to the new rhythm of Webex-moderated meetings, daily teleconferencing, and the definitions of social engagement as mandated by the State and local EOC.

Finally, KPU Electric continues to draw upon its expertise at every level to support community needs as situations develop. From drought mitigation, to license and permit limitations, our staff's collective efforts continue to provide solutions and work arounds to continue service around the clock for the dispatch of this valuable energy, and the support of our life styles.

- **Safety and Environmental:**
 - Continued OSHA training requirements for employee safety compliance;
 - Maintained ADOT requirements for traffic control flagging and work zones;
 - Maintained Emergency Action Plans (EAP's) for the Ketchikan Lakes and Whitman Lake hydroelectric projects;
 - Maintained a Dam Safety Program for KPU's three hydroelectric projects and nine dams; and
 - Maintained USCG approved Spill Prevention & Counter Controls plans (SPCC's).

KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Electric Division

Operations 5200

- **Customer Service:**
 - Installed 112 new electrical services; and
 - AMI/AMR implementation now at 5,713 out of 7,978 meters, or 71.6% implemented.
- **Generation:**
 - An extended drought condition left insufficient reservoir levels for hydro generation needs. The division added four (4) rental units to the diesel fleet through emergency declaration;
 - The division generated 45.3 GWh of energy (record) through the expanded diesel fleet;
 - Significant preparation and system interconnection were necessary to move the expanded rental fleet through 10 sites due to ADEC permit limitations;
 - The expanded diesel fleet required movement of 3,000,000 gallons of fuel, also a record;
 - Maintained an overall heat rate of 15.1 kilowatts per gallon; and
 - Revised the Bailey Title 5 permit to allow additional hours of operation of Bailey Powerhouse diesel generators.
- **Transmission and Distribution Facilities:**
 - Continued replacement of aging power poles, cross-arms, and appurtenances;
 - Continued LED street light conversion; now approximately 1/3 converted;
 - Completed reconfiguration/rebuild of Sunset Drive overhead distribution system; and
 - Continued consulting with ADOT on the Water Street, Front/Mill/Stedman, Herring Cove Bridge, Ward Cove Bridge, & First and Second Waterfall bridges projects.

DIVISION SUMMARY

Expenditures by Category	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	5,643,412	6,519,156	6,520,456	5,880,730	6,546,301	27,145	0.4%
Supplies	11,856,836	7,978,000	7,976,700	7,518,613	8,121,500	143,500	1.8%
Contract/Purchased Services	2,416,222	1,424,625	1,424,625	1,112,705	1,419,595	(5,030)	-0.4%
Minor Capital Outlay	25,274	52,500	52,500	21,500	32,500	(20,000)	-38.1%
Interdepartmental Charges	1,161,420	1,386,030	1,386,030	1,317,080	1,338,610	(47,420)	-3.4%
Debt Service	1,066,572	1,142,850	1,142,850	1,142,850	1,139,450	(3,400)	-0.3%
Payment in Lieu of Taxes	381,993	410,932	410,932	381,993	381,993	(28,939)	-7.0%
Total Expenditures	22,551,729	18,914,093	18,914,093	17,375,471	18,979,949	65,856	0.3%

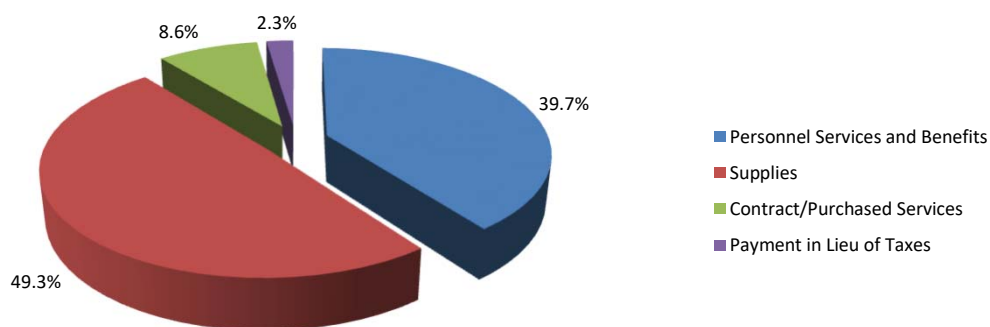
Funding Source	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	22,551,729	18,914,093	18,914,093	17,375,471	18,979,949	65,856	0.3%
Total Funding	22,551,729	18,914,093	18,914,093	17,375,471	18,979,949	65,856	0.3%

KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Electric Division

Operations 5200

Full-time Equivalent Personnel	2019 Actual	2020 Budget		2021		2020 Adopted/2021	
		Adopted	Amended	Budget	Salary	Incr(Decr)	%
Division Manager	1.00	1.00	1.00	1.00	181,293	-	0.0%
Senior Project Engineer	1.00	1.00	1.00	1.00	119,145	-	0.0%
Operations Manager	1.00	1.00	1.00	1.00	132,810	-	0.0%
Senior System Engineer	1.00	1.00	1.00	1.00	134,802	-	0.0%
Secretary II	1.00	1.00	1.00	1.00	51,730	-	0.0%
Secretary I	1.00	1.00	1.00	1.00	39,353	-	0.0%
GENERATION							
Chief System Dispatcher	1.00	1.00	1.00	1.00	96,870	-	0.0%
System Dispatcher	3.00	3.00	3.00	3.00	251,250	-	0.0%
System Dispatcher-Relief	1.00	1.00	1.00	1.00	83,750	-	0.0%
SCADA							
Senior SCADA Technician	2.00	2.00	2.00	2.00	175,136	-	0.0%
LINE CREWS							
Line Crew Foreman	1.00	1.00	1.00	1.00	113,550	-	0.0%
Service Crew Foreman	1.00	1.00	1.00	1.00	113,550	-	0.0%
Apparatus Substation Tech	1.00	1.00	1.00	1.00	106,998	-	0.0%
Lineman	4.00	4.00	4.00	4.00	410,520	-	0.0%
Lineman Apprentice	1.00	1.00	1.00	1.00	92,165	-	0.0%
ELECTRICIANS							
Meter Relay Control Foreman	1.00	1.00	1.00	1.00	112,550	-	0.0%
Meterman	1.00	1.00	1.00	1.00	105,748	-	0.0%
Wireman/Electrician	4.00	4.00	4.00	4.00	405,520	-	0.0%
Meter Reader	1.00	1.00	1.00	1.00	53,248	-	0.0%
Warehouse-Relief Meter Reader	0.50	0.50	0.50	0.50	33,166	-	0.0%
MAINTENANCE							
Powerplant Mechanic Foreman	1.00	1.00	1.00	1.00	94,120	-	0.0%
Powerplant Mechanic	7.00	7.00	7.00	7.00	582,400	-	0.0%
Powerplant Mechanic-Relief	1.00	1.00	1.00	1.00	83,200	-	0.0%
OTHER							
Warehouse Worker	1.00	1.00	1.00	1.00	74,485	-	0.0%
Warehouse/General Laborer	0.50	0.50	0.50	0.50	33,166	-	0.0%
Engineering Tech-CADD & GIS	1.40	1.40	1.40	1.40	98,904	-	0.0%
General Laborer	1.00	1.00	1.00	1.00	42,952	-	0.0%
Total	41.40	41.40	41.40	41.40	3,822,381	-	0.0%

2021 Expenditures by Type



KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Electric Division

Operations 5200

OPERATING BUDGET CHANGES FOR 2021

Changes between the adopted operating budget for 2020 and the proposed operating budget for 2021 that are greater than 5% and \$5,000 are discussed below.

- Personnel Services and Benefits increased by \$27,145, or by 0.4%, as a result of staff turnover.
- Purchased Power (Account No. 525.05) increased by \$292,000, or by 4.5%, due to a projected increase in the cost of the SEAPA wholesale power rate from \$0.068 /kWh to \$0.073 per kWh effective June 1, 2021.
- Travel-Business (Account No. 600.01) decreased by \$18,750, or by 75%, to reflect the financial impacts to KPU operations as a result of the COVID-19 pandemic.
- Travel-Training (Account No. 600.02) decreased by \$30,000, or by 75%, to reflect the financial impacts to KPU operations as a result of the COVID-19 pandemic.
- Travel-Training and Education (Account No. 600.03) decreased by \$45,000, or by 75%, to reflect the financial impacts to KPU operations as a result of the COVID-19 pandemic.
- Technical Services (Account No. 635.12) increased by \$100,000, or by 26.3%, due to increased utility tree trimming needs. In 2020, no bids were received for the annual tree trimming contract.
- Furniture and Fixtures (Account No. 790.15) decreased by \$5,000 or 50%, due to reduction in office furniture needs.
- Computers, Printers, and Copiers (Account No. 790.26) decreased by \$15,000, or by 42.9%.
- Interdepartmental Charges decreased by \$41,470, or by 3.0%, due to efforts to reduce costs in the departments that provide interdepartmental services in order to stabilize reserves in the event that the COVID-19 pandemic extends into 2021. The decrease was offset by a \$25,630 increase in property and liability insurance premiums. Property insurance premiums have been increasing in recent years because rising construction costs have had an impact on replacement cost values and poor claims experience in the municipal insurance markets. Commercial general liability insurance premiums have been increasing due to poor claims experience in the municipal insurance markets.
- Payment in Lieu of Taxes (Account No. 975.00) decreased by \$28,939, or by 7.0% due to decision to keep the property tax mill rate at 6.6.

DIVISION OPERATING BUDGET DETAIL

Operating Expenditures	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits							
500 .01 Regular Salaries and Wages	3,295,571	3,848,536	3,848,536	3,584,380	3,822,381	(26,155)	-0.7%
501 .01 Overtime Wages	429,433	300,000	300,000	276,980	300,000	-	0.0%
502 .01 Temporary Wages	38,829	70,000	70,000	37,520	70,000	-	0.0%
505 .00 Payroll Taxes	284,205	322,720	322,720	299,070	320,720	(2,000)	-0.6%
506 .00 Pension	550,620	665,420	665,420	638,840	667,170	1,750	0.3%
507 .00 Health and Life Insurance	851,755	1,001,950	1,001,950	817,050	1,027,900	25,950	2.6%
507 .30 Workers Compensation	147,213	130,430	130,430	105,840	121,650	(8,780)	-6.7%
508 .00 Other Benefits	19,252	95,800	95,800	95,800	132,180	36,380	38.0%
509 .04 Allowances-KPU Clothing	8,206	8,800	10,100	10,100	8,800	-	0.0%
509 .07 Allowances-Moving Expense	18,178	75,000	75,000	15,000	75,000	-	0.0%
509 .08 Allowances-Medical Expenses	150	500	500	150	500	-	0.0%
Personnel Services and Benefits	5,643,412	6,519,156	6,520,456	5,880,730	6,546,301	27,145	0.4%

KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Electric Division

Operations 5200

Operating Expenditures	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Supplies							
510 .01 Office Supplies	17,491	17,500	16,200	15,000	15,000	(2,500)	-14.3%
510 .02 Operating Supplies	8,255	10,000	10,000	10,000	10,000	-	0.0%
510 .03 Safety Program Supplies	23,464	25,000	25,000	25,000	25,000	-	0.0%
510 .04 Janitorial Supplies	776	1,000	1,000	1,000	1,000	-	0.0%
510 .05 Small Tools & Equipment	35,405	35,000	35,000	30,000	35,000	-	0.0%
515 .01 Vehicle Maintenance Materials	60,890	70,000	70,000	70,000	70,000	-	0.0%
515 .02 Building & Grounds Maint Materials	15,225	25,000	25,000	25,000	25,000	-	0.0%
515 .03 Furniture & Fixtures Maint Materials	200	500	613	613	500	-	0.0%
515 .04 Machinery & Equip Maint Materials	45,641	60,000	59,887	35,000	60,000	-	0.0%
515 .05 Infrastructure & Plant Maint Materials	477,376	500,000	500,000	500,000	500,000	-	0.0%
520 .02 Postage	1,823	1,500	1,500	1,500	1,500	-	0.0%
520 .04 Freight-Materials & Supplies	18,050	40,000	40,000	30,000	40,000	-	0.0%
525 .01 Generation Diesel Fuel	7,157,531	350,000	350,000	350,000	350,000	-	0.0%
525 .02 Generation Oil Lubricants	198,686	60,000	60,000	50,000	60,000	-	0.0%
525 .03 Heating Fuel	1,416	5,500	5,500	3,000	5,500	-	0.0%
525 .04 Vehicle Motor Fuel & Lubricants	41,720	50,000	50,000	35,000	50,000	-	0.0%
525 .05 Purchased Power	3,742,973	6,500,000	6,112,000	5,725,000	6,646,000	146,000	2.2%
525 .07 Machinery & Equip Fuel & Lubricants	2,632	3,000	3,000	1,500	3,000	-	0.0%
525 .10 Whitman Lake - SEAPA True-up	-	212,000	600,000	600,000	212,000	-	0.0%
530 .02 Periodicals	471	1,500	1,500	1,000	1,500	-	0.0%
530 .03 Professional & Technical Publications	241	1,500	1,500	1,000	1,500	-	0.0%
535 .02 Business and Meal Expenses	3,601	3,000	3,000	3,000	3,000	-	0.0%
535 .05 Special Protective Clothing	2,969	6,000	6,000	6,000	6,000	-	0.0%
Supplies	11,856,836	7,978,000	7,976,700	7,518,613	8,121,500	143,500	1.8%
Contract/Purchased Services							
600 .01 Travel-Business	5,499	25,000	25,000	25,000	6,250	(18,750)	-75.0%
600 .02 Travel-Training	19,322	40,000	40,000	10,000	10,000	(30,000)	-75.0%
600 .03 Travel-Training and Education	35,278	60,000	60,000	30,000	15,000	(45,000)	-75.0%
605 .01 Ads & Public Announcements	19,257	25,000	25,000	10,000	25,000	-	0.0%
610 .02 Grant Awards	73,500	75,705	75,705	75,705	65,845	(9,860)	-13.0%
615 .01 Professional and Technical Licenses	820	2,500	2,500	1,000	2,500	-	0.0%
615 .02 Assn. Membership Dues & Fees	11,562	15,000	15,000	15,000	15,000	-	0.0%
630 .01 Building & Operating Permits	113,317	125,000	125,000	125,000	125,000	-	0.0%
630 .02 Vehicle Licenses	359	1,500	1,500	1,500	1,500	-	0.0%
635 .02 Janitorial and Cleaning Services	4,013	10,000	10,000	7,500	10,000	-	0.0%
635 .03 Vehicle Maintenance Services	5,824	5,000	5,000	3,500	5,000	-	0.0%
635 .04 Software Maintenance Services	54,555	72,000	72,000	72,000	72,000	-	0.0%
635 .06 Bldg & Grounds Maintenance Services	3,400	7,000	7,000	7,000	7,000	-	0.0%
635 .08 Infrastructure Maintenance Services	83,676	40,000	40,000	35,000	40,000	-	0.0%
635 .09 Disposal Services	-	30,000	30,000	10,000	30,000	-	0.0%
635 .12 Technical Services	312,928	380,000	375,000	180,000	480,000	100,000	26.3%
635 .14 Other Contractual Services	14,163	23,000	23,000	20,000	23,000	-	0.0%
640 .02 Engineering & Architectural Services	51,344	100,000	100,000	100,000	100,000	-	0.0%
640 .04 Management & Consulting Services	110,415	125,000	125,000	125,000	125,000	-	0.0%
645 .01 Rents & Leases-Land & Buildings	31,307	32,000	32,000	30,000	32,000	-	0.0%
645 .02 Rents & Leases-Machinery & Equip	1,241,631	4,500	9,500	9,500	4,500	-	0.0%
650 .01 Telecommunications	173,363	175,000	175,000	175,000	175,000	-	0.0%
650 .02 Electric, Water, Sewer & Solid Waste	50,689	51,420	51,420	45,000	50,000	(1,420)	-2.8%
Contract/Purchased Services	2,416,222	1,424,625	1,424,625	1,112,705	1,419,595	(5,030)	-0.4%

KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Electric Division

Operations 5200

Operating Expenditures	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Minor Capital Outlay							
790 .15 Furniture and Fixtures	4,496	10,000	10,000	5,000	5,000	(5,000)	-50.0%
790 .26 Computers, Printers, and Copiers	18,868	35,000	35,000	15,000	20,000	(15,000)	-42.9%
790 .35 Software	1,910	7,500	7,500	1,500	7,500	-	0.0%
Minor Capital Outlay	25,274	52,500	52,500	21,500	32,500	(20,000)	-38.1%
Interdepartmental Charges							
800 .00 Interdept'l-Administrative	205,196	218,260	218,260	210,110	210,270	(7,990)	-3.7%
801 .01 Interdept'l-Human Resources	68,239	108,640	108,640	101,790	91,040	(17,600)	-16.2%
802 .00 Interdept'l-Finance	469,505	526,300	526,300	497,910	506,730	(19,570)	-3.7%
803 .01 Interdept'l-Information Tech	207,986	243,270	243,270	235,920	215,380	(27,890)	-11.5%
825 .01 Interdept'l-Insurance	210,494	289,560	289,560	271,350	315,190	25,630	8.9%
Interdepartmental Charges	1,161,420	1,386,030	1,386,030	1,317,080	1,338,610	(47,420)	-3.4%
Debt Service							
931 .01 Debt Service-Principal	620,000	640,000	640,000	640,000	660,000	20,000	3.1%
932 .01 Debt Service-Interest	446,572	502,850	502,850	502,850	479,450	(23,400)	-4.7%
Debt Service	1,066,572	1,142,850	1,142,850	1,142,850	1,139,450	(3,400)	-0.3%
Other Costs							
975 .00 Payment in Lieu of Taxes	381,993	410,932	410,932	381,993	381,993	(28,939)	-7.0%
Other Costs	381,993	410,932	410,932	381,993	381,993	(28,939)	-7.0%
Total Expenditures by Type	22,551,729	18,914,093	18,914,093	17,375,471	18,979,949	65,856	0.3%

NARRATIVE

500.01 Regular Salaries and Wages: \$3,822,381 - This account provides expenditures for compensation paid to all regular salaried and hourly employees of the Electric Division.

501.01 Overtime Wages: \$300,000 - This account provides expenditures for compensation paid to all regular and temporary hourly employees for hours worked in excess of a regular working cycle.

502.01 Temporary Wages: \$70,000 - This account provides expenditures for compensation paid to temporary salaried and hourly employees of the Electric Division.

505.00 Payroll Taxes: \$320,720 – This account provides expenditures for employer contributions for Social Security and Medicare and other similar payroll related taxes.

506.00 Pension: \$667,170 – This account provides expenditures for employer contributions to retirement plans.

507.00 Health and Life Insurance: \$1,027,900 – This account provides expenditures for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation \$121,650 – This account provides expenditures for employer contributions for workers compensation.

508.00 Other Benefits: \$132,180 – This account provides expenditures for direct claims from former employees for unemployment benefits paid by the State of Alaska and accrued vacation and sick leave.

509.04 Allowances- KPU Clothing: \$8,800 - This account provides expenditures for employer provided protective clothing and flame-resistant protective clothing allowances paid directly to represented employees of Ketchikan Public Utilities pursuant to collective bargaining agreements or the Personnel Rules.

509.07 Allowances- Moving Expense: \$75,000 – This account provides expenditures for direct payments or reimbursements to employees for expenditures incurred to relocate to Ketchikan.

KETCHIKAN PUBLIC UTILITIES

2021 Operating and Capital Budget

Electric Division

Operations 5200

509.08 Allowances- Medical Expenses: \$500 - This account provides expenditures for employee medical exams paid directly to employees. These benefits are taxable to the employees.

510.01 Office Supplies: \$15,000 - This account provides expenditures for paper, pens, pencils, adding machine ribbons and tape, note pads, file folders, scotch tape, toner, ink cartridges, photocopy charges, small desk accessories and minor office equipment such as adding machines, staplers, comb binding machines and tape dispensers.

510.02 Operating Supplies: \$10,000 - This account provides expenditures for supplies that are normally not of a maintenance nature and are required to support department operations. Included are supplies such as, medical supplies, general materials for public programs and engineering materials.

510.03 Safety Program Supplies: \$25,000 - This account provides expenditures for safety training audio and video programs, safety equipment such as gloves, hard hats and hearing protection, OSHA medical exams, specialized hazardous materials handling and disposal information, specialized traffic control and protective safety equipment and clothing.

510.04 Janitorial Supplies: \$1,000 – This account provides expenditures for cleaning and sanitation supplies used by in-house and contracted janitors.

510.05 Small Tools and Equipment: \$35,000 - This account provides expenditures for minor tools, operating and office equipment with a value of less than \$1,000. Included are hand tools, chain saws, blow torches, hydraulic jacks, sump pumps, computer accessories, space heaters, radios, calculators, file cabinets and similar types of minor tools and equipment.

515.01 Vehicle Maintenance Materials: \$70,000 - This account provides expenditures for the repair and maintenance of vehicles owned or leased and operated by the division. Included are licensed and unlicensed rolling stock and boats.

515.02 Building and Ground Maintenance Materials: \$25,000 – This account provides expenditures for the repair and maintenance of buildings and upkeep of the grounds owned or leased and operated by the City.

515.03 Furniture & Fixtures Maint Materials: \$500 - This account provides expenditures for the repair and maintenance of furniture and building fixtures owned or leased and operated by the City.

515.04 Machinery and Equipment Maintenance Materials: \$60,000 – This account provides expenditures for the repair and maintenance of machinery and equipment owned or leased and operated by the City. Included are office equipment, operating equipment, computer networks and computers.

515.05 Infrastructure and Plant Maintenance Materials: \$500,000 – This account provides expenditures for the repair and maintenance of infrastructure and plants owned or leased and operated by the division. Included are hydroelectric facilities, dams, electric substations, generators, fuel tank farms, overhead and underground electric and telecommunication facilities and telecommunications.

520.02 Postage: \$1,500 - This account provides expenditures for postal related services such as postage, express delivery, mailing materials and the rent of post office boxes and postage machines.

520.04 Freight – Materials and Supplies: \$40,000 - This account provides expenditures for shipping and transporting supplies and material to and from vendors.

525.01 Generation Diesel Fuel: \$350,000 - This account provides expenditures for diesel fuel to operate the electric generators used to produce electric energy for resale by Ketchikan Public Utilities.

525.02 Generation Oil Lubricants: \$60,000 - This account provides expenditures for lubricants required for the operation of diesel generation equipment.

525.03 Heating Fuel: \$5,500 - This account provides expenditures for heating fuel to heat facilities owned or leased and operated by the division.

525.04 Vehicle Motor Fuel and Lubricants: \$50,000 - This account provides expenditures for gasoline, diesel fuel, propane and lubricants used in the operations of the division's vehicles and vessels.

KETCHIKAN PUBLIC UTILITIES

2021 Operating and Capital Budget

Electric Division

Operations 5200

525.05 Purchased Power: \$6,646,000 - This account provides expenditures for electric energy purchased from SEAPA for resale by Ketchikan Public Utilities.

525.07 Machinery and Equipment Fuel and Lubricants: \$3,000 – This account provides expenditures for gasoline, diesel fuel, propane and lubricants used in the operations of City and Ketchikan Public Utilities machinery and equipment.

525.10 Whitman Lake - SEAPA True-up: \$212,000 - This account provides expenditures for reimbursement to SEAPA for agency power that is displaced by the Whitman Lake Hydroelectric Project.

530.02 Periodicals: \$1,500 – This account provides expenditures for newspapers, magazines and trade journals.

530.03 Professional and Technical Publications: \$1,500 - This account provides expenditures for professional and technical publications. Included are professional handbooks, print and electronic subscription services for management, electrical engineering, building codes, professional standards and technical journals.

535.02 Business and Meal Expenses: \$3,000 - This account provides expenditures for reimbursements to employees for business and job related meals and other business related expenses.

535.05 Special Protective Clothing: \$6,000 – This account provides expenditures for employer provided clothing purchased for use by department or division personnel.

600.01 Travel-Business: \$6,250 – This account provides expenditures for transportation, lodging, meals, per diems and other incidental expenses associated with travel for business and trade meetings and recruitment efforts. Travel expenses incurred by candidates during recruitment searches are charged to this account.

600.02 Travel-Training: \$10,000 - This account provides expenditures for transportation, lodging, meals, per diems and other incidental expenses associated with travel for training.

600.03 Training and Education: \$15,000 – This account provides expenditures for registration fees, training fees, training materials, tuition reimbursements and other incidental expenses associated with training and educating employees.

605.01 Ads and Public Announcements: \$25,000 - This account provides expenditures for advertising and announcements in publications, newspapers, trade journals, Internet or broadcasts over radio and television. Included are legal notices, public service announcements, community issues, recruiting, requests for proposals, contracts and sales of property and equipment.

610.02 Grant Awards: \$65,845 - This account provides expenditures for the Electric Division's share of the City's Community Grant Program.

615.01 Professional and Technical Licenses: \$2,500 – This account provides expenditures for licensing professional, technical, and other employees requiring a license in order to perform their duties. Included are fees paid to license engineers, accountants, attorneys, commercial drivers and fees paid for technical certifications required by medical technicians, notaries, surveyors, divers and operators of special equipment.

615.02 Assn. Membership Dues & Fees: \$15,000 – This account provides expenditures for memberships in professional and trade associations such as Northwest Public Power Association and Southeast Alaska Petroleum Resource Organization.

630.01 Building and Operating Permits: \$125,000 - This account provides expenditures for permits required for construction, environmental, occupancy and operations required by the Federal Energy Regulatory Commission, Alaska Department of Environmental Conservation and Department of Transportation for right-of-way and traffic control permits.

630.02 Vehicle Licenses: \$1,500 – This account provides expenditures for licensing the division's vehicles for operations on public highways.

635.02 Janitorial and Cleaning Services: \$10,000 – This account provides expenditures for services to clean facilities and equipment owned or leased by the City. Included are janitorial, carpet cleaning and laundry services.

635.03 Vehicle Maintenance Services: \$5,000 – This account provides expenditure for the repair and maintenance of the division's vehicles by third-party providers. Included are licensed and unlicensed rolling stock and boats. This account includes contract labor and materials required to provide the service.

KETCHIKAN PUBLIC UTILITIES

2021 Operating and Capital Budget

Electric Division

Operations 5200

635.04 Software and Equipment Maintenance Services: \$72,000 - This account provides expenditures for maintenance agreements to support licensed software systems and other technology based systems that include both software and hardware components such as OSI for the SCADA system, Cannon for the automated meter reading system and AutoCAD for the computer aided geographic information system (GIS).

635.06 Buildings and Grounds Maintenance Services: \$7,000 - This account provides for repair and maintenance of buildings and the upkeep of grounds owned or leased by the City. This includes contract labor and materials required to provide the service.

635.08 Infrastructure and Plant Maintenance Services: \$40,000 - This account provides expenditures for repair and maintenance of infrastructure owned or leased by the City. This includes contract labor and materials required to provide the service.

635.09 Disposal Services: \$30,000 - This account provides expenditures for the disposal of hazardous materials such as PCBs, asbestos and lead, transformers and other environmentally sensitive material.

635.12 Technical Services: \$480,000 - This account provides expenditures for services that are not regarded as professional but require technical or special knowledge. Included are tree pruning and substation vegetation control.

635.14 Other Contractual Services: \$23,000 - This account provides expenditures for contractual services not identified in the account classifications under contractual services such as oil and water analysis, abatement and equipment and tool dielectric tests.

640.02 Engineering and Architectural Services: \$100,000 - This account provides expenditures for engineering services for system protection, FERC required dam surveys and hydrology studies.

640.04 Management and Consulting Services: \$125,000 - This account provides expenditures for management and consulting services. Included are project management, rate studies, management studies and other management and consulting engagements requiring persons or firms with specialized skills and knowledge such as OSHA and National Electric Safety Code.

645.01 Rents and Leases - Land and Buildings: \$32,000 - This account provides expenditures for the rent and lease of land and buildings for storage yards and covered storage facilities.

645.02 Rents and Leases - Machinery & Equipment: \$4,500 - This account provides expenditures for the rent and lease of machinery and equipment. Both operating and capital leases are accounted for in this account.

650.01 Telecommunications: \$175,000 - This account provides expenditures for wired and wireless telecommunication services. Included are landline and cell phone services, network and data services, charges for wired and wireless telecommunications services, Internet, long distance and toll-free numbers. Purchases of cell phones are also charged to this account.

650.02 Electric, Water, Sewer & Solid Waste: \$50,000 - This account provides expenditures for electric, water, sewer and solid waste utility services.

790.15 Furniture and Fixtures: \$5,000 - This account provides expenditures for acquisition of furniture and fixtures. Included are desks, chairs, tables, workstations, file cabinets, storage cabinets and building fixtures.

790.26 Computers, Printers and Copiers: \$20,000 - This account provides expenditures for machinery and equipment usually composed of a complex combination of parts. Included are office equipment and operating equipment required to provide services or maintain capital assets.

790.35 Software: \$7,500 - This account provides expenditures for acquisition of software systems and upgrades not covered by maintenance agreements.

800.00 Interdepartmental Charges – Administrative: \$210,270 - This account provides expenditures for administrative and management services provided by the departments of the City Council, City Clerk, City Attorney and the administrative office of the City Manager.

801.01 Interdepartmental Charges – Human Resources: \$91,040 - This account provides expenditures for human resource services provided by the Human Resources Division.

802.00 Interdepartmental Charges - Finance: \$506,730 - This account provides expenditures for financial, accounting, payroll, accounts payable, billing, customer service and budgeting services provided by the Finance Department.

803.01 Interdepartmental Charges – Information Technology: \$215,380 - This account provides expenditures for information technology services provided by the Information Technology Department.

825.01 Interdepartmental Charges – Insurance: \$315,190 - This account provides expenditures for risk management services and claims.

931.01 Debt Service-Principal: \$660,000 - This account provides expenditures for principal on revenue bonds.

932.01 Debt Service-Interest: \$479,450 - This account provides expenditures for interest on revenue bonds.

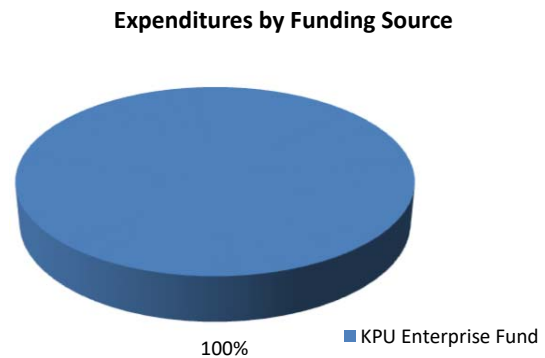
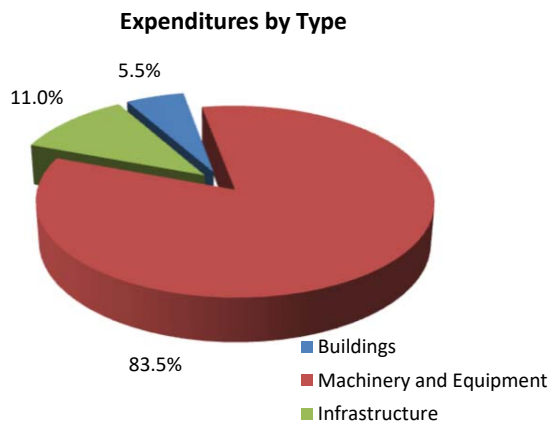
975.00 Payment in Lieu of Taxes: \$381,993 - This account provides expenditures for payments in lieu of taxes assessed against the enterprise funds of the City.

KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Electric Division
Capital Budget

Major Capital Outlay	2019 Actual	2020 Budget			2021 Budget	2020 Adopted/2021	
		Adopted	Amended	Estimate		Incr(Decr)	%
705.00 Buildings	-	170,000	170,000	50,000	220,000	50,000	29.4%
725.00 Machinery and Equipment	602,272	2,309,000	2,353,218	892,053	3,367,000	1,058,000	45.8%
730.00 Infrastructure	1,395,474	1,458,500	1,414,282	941,073	444,000	(1,014,500)	-69.6%
740-00 Other Capital Assets	44,475	-	-	-	-	-	0.0%
Total Major Capital Outlay	2,042,221	3,937,500	3,937,500	1,883,126	4,031,000	93,500	2.4%

Capital Improvement Projects

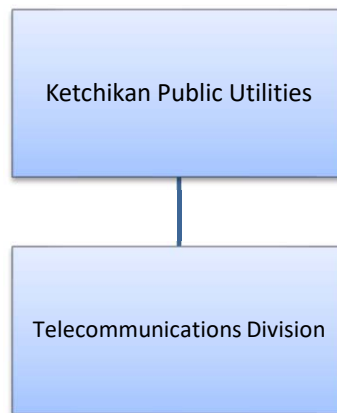
Capital Improvement Projects		Funding Sources			
		KPU Enterprise Fund	Grants	Bonds	Total
Project #	Project				
705-00 Buildings					
	Warehouse Roof Replacement	220,000	-	-	220,000
	Total Buildings	220,000	-	-	220,000
725.00 Machinery and Equipment					
	Bailey Unit No. 3 Rehabilitation	400,000			400,000
	Bailey Unit No. 1 Rehabilitation	850,000			850,000
	Beaver Falls Switch Gear	1,535,000			1,535,000
	Bailey Generator Radiator Replacement	25,000			25,000
	Silvis Substation Upgrade	125,000			125,000
	AMI, Meters, Meter Replacement Parts	65,000			65,000
	Transformer Purchase	85,000			85,000
	Battery System Chargers	19,000			19,000
	Operating Equipment	263,000			263,000
	Total Machinery and Equipment	3,367,000	-	-	3,367,000
730.00 Infrastructure					
	Beaver Falls Relicensing	120,000			120,000
	Diesel Generation Modernization	60,000			60,000
	Whitman Tailrace Modification	25,000			25,000
	Ketchikan International Airport & Pennock Upgrade	50,000			50,000
	Reimbursable Projects	25,000			25,000
	Additional Projects	164,000			164,000
	Total Infrastructure	444,000	-	-	444,000
	Total Capital Budget	4,031,000	-	-	4,031,000



KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Telecommunications Division

Summary

The Telecommunications Division is one of three utilities operated by Ketchikan Public Utilities and is owned by the City of Ketchikan. Operations include both regulated and non-regulated activity and provide service to approximately 6,600 customers.



The Telecommunications Division operates one division and oversees one Capital Improvement Program.

DEPARTMENT EXECUTIVE SUMMARY

Divisions/Cost Center/Programs	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operations	14,111,255	16,731,400	16,779,505	15,310,949	15,674,904	(1,056,496)	-6.3%
Capital Improvement Program	1,708,192	13,475,000	13,506,895	12,033,990	2,175,000	(11,300,000)	-83.9%
Total	15,819,447	30,206,400	30,286,400	27,344,939	17,849,904	(12,356,496)	-40.9%

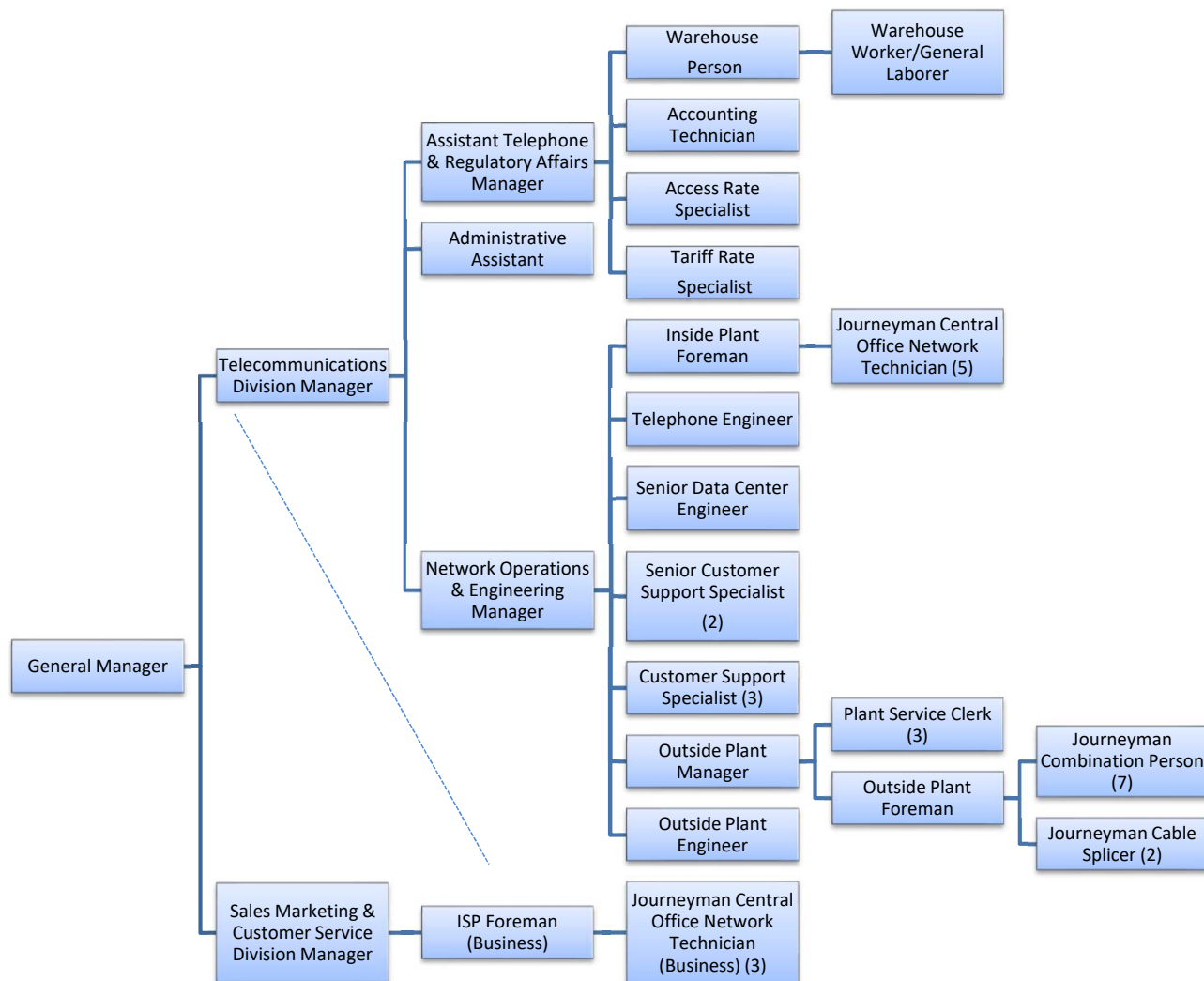
Expenditures by Category	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	5,239,909	6,037,220	6,037,220	5,832,822	6,078,902	41,682	0.7%
Supplies	887,441	853,300	908,905	908,405	849,000	(4,300)	-0.5%
Contract/Purchased Services	6,748,073	7,207,745	7,197,745	6,678,995	6,297,455	(910,290)	-12.6%
Minor Capital Outlay	15,919	21,500	24,000	24,000	18,000	(3,500)	-16.3%
Interdepartmental Charges	935,714	1,117,190	1,117,190	1,061,740	1,052,930	(64,260)	-5.8%
Debt Service	77,841	1,272,399	1,272,399	598,629	1,172,259	(100,140)	-7.9%
Payment in Lieu of Taxes	206,358	222,046	222,046	206,358	206,358	(15,688)	-7.1%
Major Capital Outlay	1,708,192	13,475,000	13,506,895	12,033,990	2,175,000	(11,300,000)	-83.9%
Total	15,819,447	30,206,400	30,286,400	27,344,939	17,849,904	(12,356,496)	-40.9%

Funding Source	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	15,819,447	18,706,400	18,786,400	15,974,788	17,849,904	(856,496)	-4.6%
Revenue Bond	-	11,500,000	11,500,000	11,370,151	-	(11,500,000)	-100.0%
Total	15,819,447	30,206,400	30,286,400	27,344,939	17,849,904	(12,356,496)	-40.9%

Full-time Equivalent Personnel	2019	2020 Budget		2021		2020 Adopted/2021	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
Operations	41.00	41.00	41.00	41.00	3,662,352	-	0.0%
Total	41.00	41.00	41.00	41.00	3,662,352	-	0.0%

MISSION STATEMENT

The Telecommunications Division is committed to providing high quality telecommunication products and services to residents and businesses of the City of Ketchikan and the Ketchikan Gateway Borough at competitive rates. Management and staff strive to maintain quality customer service and competitive pricing, while concurrently working to maximize the Utility's value to its owner, the City of Ketchikan. The Telecommunications Division will continue to introduce new cost effective technologies that will aid in the community's economic revitalization. The division stands ready to assist its customers as efficiently and effectively as possible within guidelines established by federal and state law, the Charter of the City of Ketchikan, the Ketchikan Municipal Code and the ratepayers of the Utility as represented by the City Council.



GOALS FOR 2021

The KPU Telecommunications (KPUTel) division's 2021 operating and capital budget goals are essentially divided between Revenue & Competitive Strategy, Efficiency & Quality of Service and Ongoing Operations – while strictly following budget guidance as it relates to the COVID-19 environment.

Revenue & Competitive Strategy: 2020 marked the seventh full year of operation for KPU's Verizon wireless 'roaming data and voice' 4G/LTE network. Investment in the 4G/LTE network effectively enabled KPU Telecommunications to fund construction of the digital microwave system (to Canada); purchase an IRU (on GCI's undersea cable to Seattle); own/operate a Verizon agent store; and construct a 4G/LTE wireless system in Ketchikan and Skagway.

Each of these projects represented a significant 'first' for KPUTel while better positioning the Telecommunications Division to compete in the future – and enabled KPUTel to procure affordable network 'transport' to the Lower '48 – a critical component of remaining competitive for Internet and Television services.

Previous network additions (achieved via KPU ownership, as well as 'rented' network capacity) created capacity over 20 times the amount of network connectivity required in 2012. Despite KPUTel's significant increase in off-island network capacity, customer-demand (i.e., streaming video, "smart devices", increasing reliance upon digital "cloud" connectivity) continued to grow and placed extraordinary demands on the KPU network. Traffic-forecasts made clear that KPU was required to invest in additional off-island capacity to meet near and long-term future customer demand. Absent a significant investment in procuring additional off-island network transport capacity – KPUTel's future financial viability was very much in jeopardy.

Accordingly, KPUTel's 2018 capital budget included significant funding for an undersea/bathymetric study – a necessary first step in studying the seafloor (between Ketchikan and Prince Rupert, BC) for potential placement of an undersea fiber optic cable. With completion of the bathymetric study – KPU Telecommunications issued a Request for Bids in September 2018. Bids opened in early October 2018. Although the bids were competitive – lacking all necessary permits and financing it was decided to postpone the project until 2020.

Subsequently, Ketchikan's voters approved passage of 'Prop 2' – an October 1, 2019 ballot initiative asking voters to approve the \$11,500,000 Revenue Bond necessary to fund construction of the undersea cable. Following passage of Prop 2, KPUTel issued an RFP, received bids, and selected a contractor to build the new subsea fiber. As of September 3, 2020, the new subsea cable is in-place between Prince Rupert and Ketchikan. Requisite electronics have been ordered, and KPUTel anticipates the new fiber will be 'lit' and in service by October 31, 2020. Upon 'turn up' of the new subsea fiber, KPUTel will have created a critical third 'leg' (along with the existing microwave and IRU) creating three physical KPU owned network connections to the Lower '48. This will place KPU in the unique position of ultimately owning 'unlimited' network capacity (limited only by the amount the division chooses to invest in network electronics, and/or the cost of 'transport' from Prince Rupert, BC, Canada to the Lower '48).

Notably, the new subsea fiber enables KPUTel to disconnect expensive (and limited) network capacity – presently leased from KPUTel's primary competitor. Post turn-up, the debt-service (annual bond payments) will be less than KPUTel previously paid its primary competitor for lease of network transport.

Lastly, the new subsea fiber plays a key role in KPUTel's competitive future – ensuring KPUTel's ability to offer higher speed internet service at reasonable rates – and otherwise be in a position to add capacity and services at any time, no matter what the broadband future might require.

Noteworthy investments in the 2021 Capital Budget include:

KPUTel has limited the balance of its 2021 capital budget to those items necessary to 'keep the network lights on' and to meet ongoing customer demand for telecommunications services.

Network Security and Monitoring: In 2020 KPU completed a significant acquisition in network security capability (ExtraHop and IXIA). The security software has proven to be very valuable, and has enabled KPUTel to alert customers of suspicious activity and/or breaches that – left unattended – would have resulted in catastrophic situations. It has become clear that KPUTel can and should increase its capabilities in this area – by purchasing additional network security functionality – enabling KPUTel to take 'deeper dives' into networks – preventing attacks (rather than reacting to attacks). Accordingly, the KPUTel 2021 capital budget anticipates purchase of additional network security capability.

The balance of the division's capital requirements relative to Revenue & Competitive strategy are primarily focused on more routine network moves – adds-and-changes necessary to meet growth in IPTV and other routine revenue generating items.

Quality of Service/Ongoing Operations: The division's 2021 operating budget (vs 2020) represents an decrease of \$1,039,996 or 6.2%. The 2021 operating budget reduction is the result of the termination of leased Internet capacity which was possible due to the installation of the KetchCan1 subsea fiber. The corresponding new bond debt payment for 2021 for the KetchCan1 subsea fiber is budgeted to be \$746,050. The proposed spending plan is conservative, while maintaining a high quality of service without risking ongoing operations.

ACCOMPLISHMENTS FOR 2020

Administration

KetchCan1 subsea fiber cable was constructed and will be placed into service securing the future broadband needs for the community.

Negotiated an agreement to lease tower and land space on the KPU tower located near the Solid Waste Facility securing additional long-term revenue streams for the division.

Negotiated and purchased the land for the division's 'Mountain Point Remote' wire-center from the Ketchikan Gateway Borough; eliminating a long term lease and securing KPUTel's ownership of a critical piece of property.

Negotiated a new Verizon Agent Agreement to secure the division's ability to continue selling Verizon devices in KPU Customer Service for an additional three years.

Began a new project to build a 4G-LTE site in the Ward Cove area to support anticipated future demand in that location.

Implemented new regulations from the Regulatory Commission of Alaska regarding changes in telecommunications regulations as a result of SB 83.

4G LTE / Microwave

Construction finished on Hospital roof site awaiting electrical contractors;

Coverage study for Ward Cove completed to add a new cell site;

Verizon 20Q1.4/2.2 software upgrades to all cell sites;

Microwave radio optimization completed to increase internet speeds; and

Microwave full inventory/sparing of parts ordered and delivered in Canada and the US.

Facility

500 dial tone lines migrated from end of life Zhone and Pannaway products;

New datacenter racks in the Main CO for voice;

Upgrades of Adtrans in the Main CO, Knudson Cove, and Mountain Point remote facilities for capacity;

Second battery plant at K71 (City Hall) for increased runtime and redundancy; and

Ward Cove infrastructure project upgrade planning and implementation.

Core

New Motorola and Asus Minim residential managed WIFI support;

New SSID to the home/business offering;

Complete core and distribution router software upgrades;

New core voice routers;

Extrahop security appliance implementation;

IXIA network gathering and monitoring appliance implementation;

New replacement indoor and outdoor fiber ONT's;

New VDSL modem implementation;

New Arris wireless bridge replacement and upgrade;

New remotely managed security appliance offering for small business;

New telework from home service offering for City, Borough, and OWAN businesses;

Introduction of Infinera Coherent Optical Switching Platform for Subsea Fiber connectivity;

New Subsea fiber routers installations; and

Network training for CSS, ISP, OSP, and Engineering working groups.

Voice

Second IP Long-Distance provider added for redundancy and load-balancing;
E911 for Broadworks customers to allow for off-island e911 correct PSAP routing;
Palladian voice monitoring and troubleshooting software upgrade completed; and
New voice VSAN environment upgrade and implementation.

Video

Continued work on upgrading middleware to Minerva10 platform;
Simulcast dish maintenance for video feeds completed; and
New Kamai 7x and Amulet 7X DVR STB support.

Systems and Datacenter

Assisted City Council with providing meetings using WebEx during COVID-19;
Increased computing capacity for City IT and other business customers;
Deployed WebEx meetings and teams for City workers to conduct business remotely;
Assisted KGB with returning to regularly scheduled Assembly meetings using WebEx;
Installed 20 new virtual servers covering Minerva10, Extrahop security suite, and VOD;
Improved maintenance and patch policies; and
Central Office training on Linux updates and patching.

Line Crew & Splicers

Two new fiber terminals on Don King Road;
New fiber terminal for west end business;
One new Fiber terminal for Woodside Apartments;
Cloudberry area fiber build out;
New fiber terminal for Whitecliff/ Borough building;
Roosevelt area fiber overbuild;
New fiber terminal for Roosevelt water plant;
New fiber terminal for downtown business;
Landfill tower 4G radio replacement;
New fiber terminal at Murphy's Landing;
New fiber terminal on Brown Way;
Fiber placement on Married Man's Trail;
New communications building terminal at Ward Cove;
Emergency repair of 828 fibers and 300 copper pairs due to house fire;
Hospital cell site rooftop tower placement;
New fiber terminal on Stay Court; and
Fiber build out to the end of the road North Tongass.

Install & TT to date (8/21/20)

482 Service Orders;
686 Trouble Ticket; and
146 Fiber Drops.

Hosted Business Group

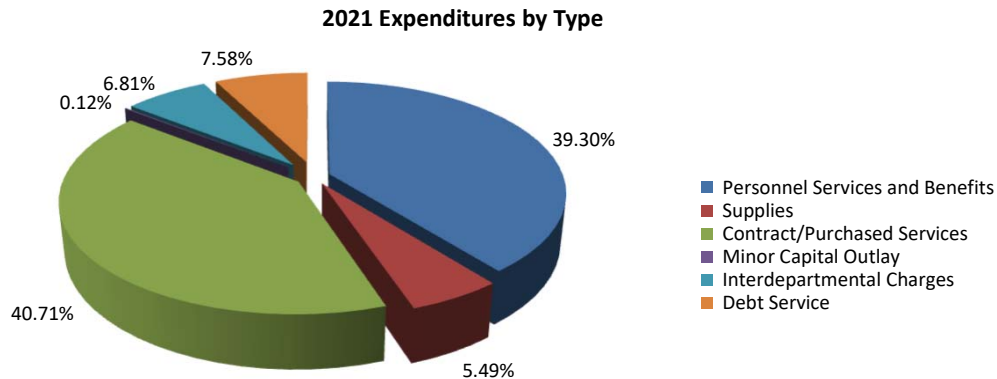
8 Total hosted systems installed;
30 Total Hosted Lines Added to Broadworks;
31 New Meraki Wireless Installations;
67 New Meraki Cameras Installed;

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1 New Call Center Installed; and
3 New MDU installations.

DIVISION SUMMARY							
Expenditures by Category	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	5,239,909	6,037,220	6,037,220	5,832,822	6,078,902	41,682	0.7%
Supplies	887,441	853,300	908,905	908,405	849,000	(4,300)	-0.5%
Contract/Purchased Services	6,748,073	7,207,745	7,197,745	6,678,995	6,297,455	(910,290)	-12.6%
Minor Capital Outlay	15,919	21,500	24,000	24,000	18,000	(3,500)	-16.3%
Interdepartmental Charges	935,714	1,117,190	1,117,190	1,061,740	1,052,930	(64,260)	-5.8%
Debt Service	77,841	1,272,399	1,272,399	598,629	1,172,259	(100,140)	-7.9%
Payment in Lieu of Taxes	206,358	222,046	222,046	206,358	206,358	(15,688)	-7.1%
Total Expenditures	14,111,255	16,731,400	16,779,505	15,310,949	15,674,904	(1,056,496)	-6.3%
Funding Source	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	14,111,255	16,731,400	16,779,505	15,310,949	15,674,904	(1,056,496)	-6.3%
Total Funding	14,111,255	16,731,400	16,779,505	15,310,949	15,674,904	(1,056,496)	-6.3%
Full-time Equivalent Personnel	2019	2020 Budget		2021		2020 Adopted/2021	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
EXECUTIVE & PLANNING							
Division Manager	1.00	1.00	1.00	1.00	185,827	-	0.0%
Administrative Assistant	1.00	1.00	1.00	1.00	53,477	-	0.0%
GENERAL & ADMINISTRATIVE							
Assistant Manager	1.00	1.00	1.00	1.00	156,329	-	0.0%
Tariff Specialist	1.00	1.00	1.00	1.00	62,816	-	0.0%
Access Rate Specialist	1.00	1.00	1.00	1.00	62,816	-	0.0%
Accounting Technician	1.00	1.00	1.00	1.00	48,402	-	0.0%
ENGINEERING SERVICES							
Engineering Manager	1.00	1.00	1.00	1.00	158,616	-	0.0%
Engineer	1.00	1.00	1.00	1.00	128,867	-	0.0%
Senior Datacenter Engineer	-	1.00	1.00	1.00	121,416	-	New
Outside Plant Engineer	1.00	1.00	1.00	1.00	114,396	-	0.0%
PLANT SPECIFIC							
Outside Plant Foreman	1.00	1.00	1.00	1.00	95,061	-	0.0%
Journeyman Cable Splicer	3.00	2.00	2.00	2.00	176,888	-	0.0%
Journeyman Combination Tech	8.00	7.00	7.00	7.00	588,224	-	0.0%
Inside Plant Foreman	2.00	2.00	2.00	2.00	210,164	-	0.0%
Journeyman CO Network Tech	7.00	8.00	8.00	8.00	787,712	-	0.0%
Sr. Customer Support Specialist	1.00	1.00	1.00	2.00	112,518	1.00	100.0%
Customer Support Specialist	4.00	4.00	4.00	3.00	151,216	(1.00)	-25.0%
PLANT NON-SPECIFIC							
Plant Manager	1.00	1.00	1.00	1.00	105,806	-	0.0%
Plant Service Clerk	3.00	3.00	3.00	3.00	200,985	-	0.0%
Warehouse Worker	1.00	1.00	1.00	1.00	74,485	-	0.0%
Warehouse Worker/Laborer	1.00	1.00	1.00	1.00	66,331	-	0.0%
Total	41.00	41.00	41.00	41.00	3,662,352	-	0.0%



OPERATING BUDGET CHANGES FOR 2021

Changes between the adopted operating budget for 2020 and the proposed operating budget for 2021 that are greater/lesser than 5% and \$5,000 are discussed below:

- Overtime Wages (Account No. 501.01) decreased by \$25,000, or by 9.1%, due to limiting overtime to only required activities. Much of the overtime for the Telecommunications Division is for planned maintenance activity that happens at night so that it minimizes the impact on our customers. The division also needs to be able to manage outages and other emergencies which require overtime.
- Other Benefits (Account No. 508.00) increased by \$14,510, or by 21.9%, due to an employee of the Department becoming eligible for retirement in 2021 and the City's obligation to pay accrued sick and vacation leave upon retirement.
- Travel-Business (Account No. 600.01) decreased by \$33,750, or by 75.0% to reflect the financial impacts to KPU operations as a result of the COVID-19 pandemic.
- Travel-Training (Account No. 600.02) decreased by \$22,500, or 75.0% to reflect the financial impacts to KPU operations as a result of the COVID-19 pandemic.
- Travel-Training and Education (Account No. 600.03) decreased by \$11,450, or 75.1% to reflect the financial impacts to KPU operations as a result of the COVID-19 pandemic.
- Ads & Public Announcements (Account No. 605.01) decreased by \$31,000, or 38.3%, due to a reduction in Yellow Page advertising. KPU was not able to publish a new directory this year as the contractor could not travel here due to COVID-19 so the associated costs for KPU to be listed in the Yellow Page advertising ended on June 30, 2020 and would pick up again in July 2021 assuming the division will be in a position to publish a directory in 2021.
- Broadcast Content Fees (Account No.630.04) decreased by \$105,000, or 6.1%, due to a reduction in the number of television customers which drives the content costs.
- Technical Services (Account No. 635.12) decreased by \$15,000, or 12.5%, due to negotiated reductions in the division's help desk and email support services.
- Other Contractual Services (Account No. 635.14) decreased by \$30,000, or 21.4%, due to completion of the majority of the division's vehicle wrapping initiatives.
- Legal and Accounting Services (Account No. 640.01) decreased by \$10,000, or by 16.7%, due to historical trending in this line item and more stability in legal proceedings regarding regulatory issues.

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- Engineering and Architectural Services (Account No. 640.02) decreased by \$85,000, or by 27.4%, due to filling the division's internal engineering positions with competent and qualified employees. This has decreased the need for outside professional engineering services to maintain the core network infrastructure, data center, IP engineering, and security needs.
- Rents and Leases - Infrastructure (Account No. 645.04) decreased by \$570,000, or by 19.3%, primarily due to the construction of the undersea fiber cable and the associated ability to cancel leases for other transport that are no longer required. Counteracting those decreases are annual rent escalators in most of the division's property and tower lease agreements and the addition of a new 4G-LTE lease in 2021.
- Interdepartmental Charges decreased by \$58,210, or by 5.2%, due to efforts to reduce costs in the departments that provide interdepartmental services in order to stabilize reserves in the event that the COVID-19 pandemic extends into 2021. The decrease was offset by a \$10,550 increase in property and liability insurance premiums. Property insurance premiums have been increasing in recent years because rising construction costs have had an impact on replacement cost values and poor claims experience in the municipal insurance markets. Commercial general liability insurance premiums have been increasing due to poor claims experience in the municipal insurance markets.
- Debt Service-Principal (Account No. 931.01) decreased by \$286,589, or by 29.2%. Favorable market conditions made it possible to reduce the size of revenue bond issue required for the construction of the subsea fiber cable from \$11.5 million to \$9.52 million. This resulted in lower principal payments.
- Debt Service-Interest (Account No. 932.01) increased by \$186,449, or by 64.0%. The increase is due to a full year of interest paid on the \$9.52 million revenue bond to finance the construction of a subsea fiber cable. The increase was partially offset by better than expected interest rates due to favorable market conditions caused by the COVID-19 pandemic.
- Payment in Lieu of Taxes (Account No. 975.00) decreased by \$15,688, or by 7.1% due to decision to keep the property tax mill rate at 6.6.

DIVISION OPERATING BUDGET DETAIL

Operating Expenditures			2019	2020 Budget		2021	2020 Adopted/2021		
			Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits									
500	.01	Regular Salaries and Wages	3,185,298	3,638,810	3,564,698	3,494,270	3,662,352	23,542	0.6%
501	.01	Overtime Wages	253,502	275,000	323,000	331,480	250,000	(25,000)	-9.1%
502	.01	Temporary Wages	2,500	14,500	38,500	20,050	14,500	-	0.0%
505	.00	Payroll Taxes	253,861	300,520	300,520	292,870	300,410	(110)	0.0%
506	.00	Pension	569,200	637,280	637,280	626,550	641,570	4,290	0.7%
507	.00	Health and Life Insurance	858,233	1,021,400	1,021,400	917,570	1,042,030	20,630	2.0%
507	.30	Workers Compensation	62,189	60,480	60,480	58,690	63,800	3,320	5.5%
508	.00	Other Benefits	38,937	66,230	66,230	66,230	80,740	14,510	21.9%
509	.04	Allowances-KPU Clothing	4,200	5,000	5,000	5,000	5,000	-	0.0%
509	.07	Allowances- Moving Expense	7,888	15,000	17,112	17,112	15,000	-	0.0%
509	.09	Allowances-Incentive Pay	4,101	3,000	3,000	3,000	3,500	500	16.7%
Personnel Services and Benefits			5,239,909	6,037,220	6,037,220	5,832,822	6,078,902	41,682	0.7%

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Operating Expenditures	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Supplies							
510 .01 Office Supplies	12,298	15,000	15,000	15,000	15,000	-	0.0%
510 .02 Operating Supplies	21,211	20,000	20,000	20,000	20,000	-	0.0%
510 .03 Safety Program Supplies	16,111	19,000	19,000	19,000	19,000	-	0.0%
510 .04 Janitorial Supplies	4,926	6,000	6,000	6,000	6,000	-	0.0%
510 .05 Small Tools & Equipment	40,191	35,000	35,000	35,000	35,000	-	0.0%
510 .07 Food & Catering	224	1,000	1,000	1,000	1,000	-	0.0%
510 .08 Inventory for Resale	(3,582)	25,000	25,000	25,000	25,000	-	0.0%
515 .01 Vehicle Maintenance Materials	23,624	28,000	28,000	28,000	25,000	(3,000)	-10.7%
515 .02 Building & Grounds Maint Materials	12,907	14,000	14,000	14,000	13,000	(1,000)	-7.1%
515 .05 Infrastructure & Plant Maint Materials	667,659	595,000	650,605	650,605	595,000	-	0.0%
520 .02 Postage	1,833	1,000	1,000	1,000	1,000	-	0.0%
520 .04 Freight-Materials & Supplies	40,863	42,000	42,000	42,000	42,000	-	0.0%
525 .03 Heating Fuel	5,884	6,800	6,800	6,800	6,500	(300)	-4.4%
525 .04 Vehicle Motor Fuel & Lubricants	27,086	27,000	27,000	27,000	27,000	-	0.0%
530 .02 Periodicals	286	500	500	500	500	-	0.0%
530 .03 Professional & Technical Publications	837	1,000	1,000	1,000	1,000	-	0.0%
535 .02 Business and Meal Expenses	1,319	1,000	1,000	500	1,000	-	0.0%
535 .04 Uniforms/Badges/Clothing	13,764	16,000	16,000	16,000	16,000	-	0.0%
Supplies	887,441	853,300	908,905	908,405	849,000	(4,300)	-0.5%
Contract/Purchased Services							
600 .01 Travel-Business	41,335	45,000	45,000	20,000	11,250	(33,750)	-75.0%
600 .02 Travel-Training	11,520	30,000	30,000	15,000	7,500	(22,500)	-75.0%
600 .03 Travel-Training and Education	18,760	15,250	15,250	5,000	3,800	(11,450)	-75.1%
605 .01 Ads & Public Announcements	77,761	81,000	81,000	50,000	50,000	(31,000)	-38.3%
605 .02 Marketing	14,230	1,000	1,000	1,000	1,000	-	0.0%
610 .01 Community Promotion	3,976	4,000	4,000	4,000	4,000	-	0.0%
610 .02 Grant Awards	58,500	60,255	60,255	60,255	52,405	(7,850)	-13.0%
615 .01 Professional Licenses & Cert	90	250	250	250	250	-	0.0%
615 .02 Assn. Membership Dues & Fees	43,289	46,000	46,000	46,000	46,000	-	0.0%
630 .01 Building & Operating Permits	166,468	180,000	180,000	180,000	180,000	-	0.0%
630 .02 Vehicle Licenses	190	500	500	500	500	-	0.0%
630 .03 Bank & Merchant Fees	3,569	3,000	3,500	3,500	4,000	1,000	33.3%
630 .04 Broadcast Content Fees	1,508,081	1,730,000	1,730,000	1,575,000	1,625,000	(105,000)	-6.1%
630 .05 Software Licenses	-	500	500	500	500	-	0.0%
630 .06 Service Charges and Fees	-	250	250	250	250	-	0.0%
635 .02 Janitorial & Cleaning Services	18,000	20,000	21,000	21,000	21,000	1,000	5.0%
635 .03 Vehicle Maintenance Services	20,745	20,000	20,000	20,000	20,000	-	0.0%
635 .04 Software & Equip. Maint. Services	487,299	575,000	575,000	575,000	575,000	-	0.0%
635 .06 Building and Grounds Maint. Svc	12,142	20,000	19,000	16,000	16,000	(4,000)	-20.0%
635 .07 Machinery & Equipment Maint. Svc	4,133	12,000	12,000	8,000	8,000	(4,000)	-33.3%
635 .08 Infrastructure Maint. Services	60,461	65,000	65,000	65,000	65,000	-	0.0%
635 .12 Technical Services	95,610	120,000	120,000	105,000	105,000	(15,000)	-12.5%
635 .14 Other Contractual Services	96,507	140,000	140,000	110,000	110,000	(30,000)	-21.4%
640 .01 Legal and Accounting Services	50,495	60,000	60,000	50,000	50,000	(10,000)	-16.7%
640 .02 Engineering & Architectural Services	420,726	310,000	302,500	225,000	225,000	(85,000)	-27.4%
640 .04 Management & Consulting Services	108,000	125,000	125,000	125,000	125,000	-	0.0%
645 .01 Rents and Leases-Land & Buildings	176,335	186,500	186,500	186,500	190,000	3,500	1.9%
645 .02 Rents and Leases-Machinery & Equip	2,907	2,000	2,000	2,000	2,000	-	0.0%
645 .04 Rents and Leases-Infrastructure	2,846,260	2,950,000	2,943,000	2,800,000	2,380,000	(570,000)	-19.3%
650 .01 Telecommunications	138,120	150,000	154,000	154,000	154,000	4,000	2.7%
650 .02 Electric, Water, Sewer & Solid Waste	262,564	255,240	255,240	255,240	265,000	9,760	3.8%
Contract/Purchased Services	6,748,073	7,207,745	7,197,745	6,678,995	6,297,455	(910,290)	-12.6%

KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Telecommunications Division

Operations 5300

Operating Expenditures	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Minor Capital Outlay							
790 .15 Furniture and Fixtures	14,909	11,000	11,000	11,000	7,500	(3,500)	-31.8%
790 .25 Machinery and Equipment	980	10,000	10,000	10,000	10,000	-	0.0%
790 .35 Software	30	500	3,000	3,000	500	-	0.0%
Minor Capital Outlay	15,919	21,500	24,000	24,000	18,000	(3,500)	-16.3%
Interdepartmental Charges							
800 .00 Interdept'l-Administrative	163,319	173,720	173,720	167,230	167,360	(6,360)	-3.7%
801 .01 Interdept'l-Human Resources	69,790	111,110	111,110	104,110	93,110	(18,000)	-16.2%
802 .00 Interdept'l-Finance	373,688	418,890	418,890	396,300	403,310	(15,580)	-3.7%
803 .01 Interdept'l-Information Tech	259,983	304,090	304,090	294,900	269,220	(34,870)	-11.5%
825 .01 Interdept'l-Insurance	68,934	109,380	109,380	99,200	119,930	10,550	9.6%
Interdepartmental Charges	935,714	1,117,190	1,117,190	1,061,740	1,052,930	(64,260)	-5.8%
Debt Service							
931 .01 Debt Service-Principal	-	981,216	981,216	365,026	694,627	(286,589)	-29.2%
932 .01 Debt Service-Interest	77,841	291,183	291,183	233,603	477,632	186,449	64.0%
Debt Service	77,841	1,272,399	1,272,399	598,629	1,172,259	(100,140)	-7.9%
Other Costs							
975 .00 Payment in Lieu of Taxes	206,358	222,046	222,046	206,358	206,358	(15,688)	-7.1%
Other Costs	206,358	222,046	222,046	206,358	206,358	(15,688)	-7.1%
Total Expenditures by Type	14,111,255	16,731,400	16,779,505	15,310,949	15,674,904	(1,056,496)	-6.3%

NARRATIVE

500.01 Regular Salaries and Wages: \$3,662,352 – This account provides expenditures for the cost of annual salaries and wages paid to the employees of the Telecommunications Division.

501.01 Overtime Wages: \$250,000 - This account provides expenditures for premium compensation paid to all non-exempt regular and temporary hourly employees for hours worked in excess of a regular working cycle. These excess hours typically occur because of scheduled after hours maintenance activity, callouts, emergencies arising from outages and equipment failure and spikes in the workload that is driven by customer demand.

502.01 Temporary Wages: \$14,500 - This account provides expenditures for compensation paid to temporary salaried and hourly employees of the Telecommunications Division during peak workload conditions or to assist with special or temporary projects. These projects can include warehouse projects, tree trimming, trouble desk call support, flagging, etc.

505.00 Payroll Taxes: \$300,410 – This account provides expenditures for employer contributions for Social Security and Medicare and other similar payroll related taxes.

506.00 Pension: \$641,570 – This account provides expenditures for employer contributions to Alaska Public Employees Retirement System and the IBEW Alaska Health and Welfare Trust retirement plans.

507.00 Health and Life Insurance: \$1,042,030 – This account provides expenditures for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation: \$63,800 – This account provides expenditures for employer contributions to workers compensation insurance.

508.00 Other Benefits: \$80,740 – This account provides expenditures for direct claims from former employees for unemployment benefits paid by the State of Alaska and accrued vacation and sick leave.

509.04 Allowances-KPU Clothing: \$5,000 – This account provides expenditures for employer provided protective clothing allowances paid directly to represented employees of the Telecommunications Division pursuant to collective bargaining agreements or the Personnel Rules.

509.07 Allowances - Moving Expense: \$15,000 – This account provides expenditures for direct payments or reimbursements to employees for expenditures incurred to relocate to Ketchikan.

509.09 Allowances-Incentive Pay: \$3,500 - This account provides expenditures for employee incentive and suggestion programs. These benefits are taxable to the employees.

510.01 Office Supplies: \$15,000 - This account provides expenditures for paper, pens, pencils, adding machine ribbons and tape, note pads, file folders, scotch tape, toner, ink cartridges, photocopy charges, small desk accessories and minor office equipment such as adding machines, staplers, comb binding machines and tape dispensers.

510.02 Operating Supplies: \$20,000 - This account provides expenditures for supplies that are normally not of a maintenance nature and are required to support department operations. Included are supplies such as engineering materials, signage, printed supplies, and other supplies that do not meet the criteria of office supplies.

510.03 Safety Program Supplies: \$19,000 - This account provides expenditures for safety information brochures, safety training audio and video programs, safety equipment, OSHA required medical exams, specialized protective safety clothing and traffic control signage.

510.04 Janitorial Supplies: \$6,000 – This account provides expenditures for cleaning and sanitation supplies used by in-house and contracted janitors.

510.05 Small Tools and Equipment: \$35,000 - This account provides expenditures for minor tools, operating and office equipment with a value of less than \$1,000. Included are hand tools, chain saws, blow torches, hydraulic jacks, sump pumps, computer accessories, space heaters, kitchen and dining equipment, radios, calculators, file cabinets and similar types of minor tools and equipment.

510.07 Food & Catering: \$1,000 - This account provides expenditures for a small budget item to purchase food and refreshments to recognize special employee milestones such as retirement or other special occasions.

510.08 Inventory for Resale: \$25,000 - This account provides expenditures for inventory purchases that are to be resold or rented to end users. Included are 4G/LTE devices that the Telecommunications Division will sell to end user customers.

515.01 Vehicle Maintenance Materials: \$25,000 - This account provides expenditures for the repair and maintenance of vehicles used by the Telecommunications Division. Included are licensed and unlicensed rolling stock and the division's small boat.

515.02 Building and Grounds Maintenance Materials: \$13,000 – This account provides expenditures for materials required for the repair and maintenance of buildings and upkeep of the grounds owned or leased and operated by the Telecommunications Division.

515.05 Infrastructure and Plant Maintenance Materials: \$595,000 - This account provides expenditures for materials required for the repair and maintenance of infrastructure and plants owned or leased by the division. Included are overhead and underground telecommunication facilities and telecommunications central and remote office facilities including DSL modems, hosted PBX systems, and Internet maintenance equipment and installation materials.

520.02 Postage: \$1,000 - This account provides expenditures for postal related services such as postage, express delivery, mailing materials and the rent of post office boxes and postage machines.

520.04 Freight – Materials and Supplies: \$42,000 - This account provides expenditures for shipping or transporting supplies and material to and from vendors.

525.03 Heating Fuel: \$6,500 - This account provides expenditures for heating fuel to heat facilities owned or leased and operated by the division.

525.04 Vehicle Motor Fuel and Lubricants: \$27,000 - This account provides expenditures for gasoline, diesel fuel, propane and lubricants for vehicles used by the division.

530.02 Periodicals: \$500 - This account provides expenditures for the purchase of newspaper, magazine and trade journal subscriptions.

530.03 Professional and Technical Publications: \$1,000 - This account provides expenditures for professional handbooks, labor related publications, technical manuals, telecommunications code standards and industry related periodicals.

535.02 Business and Meal Expenses: \$1,000 - This account provides expenditures for reimbursements to employees for business and job related meals, mileage for use of personal vehicles and other business related expenses.

535.04 Uniforms/Badges/Clothing: \$16,000 - This account provides expenditures for employer provided uniforms, badges, and clothing necessary for customer facing employee positions. These benefits are non-taxable to the employees.

600.01 Travel-Business: \$11,250 – This account provides expenditures for transportation, lodging, meals, per diems and other incidental expenses associated with travel for business and trade meetings.

600.02 Travel-Training: \$7,500 - This account provides expenditures for transportation, lodging, meals, per diems and other incidental expenses associated with travel for training.

600.03 Training and Education: \$3,800 – This account provides expenditures for registration fees, training fees, training materials, tuition reimbursements and other incidental expenses associated with training and educating employees; and on-premises training programs provided by staff or third-parties.

605.01 Ads and Public Announcements: \$50,000 - This account provides expenditures for advertising and announcements in publications, newspapers, trade journals, Internet or broadcasts over radio and television. Included are legal notices, public service announcements, community issues, recruiting, requests for proposals, contracts, directory yellow page advertising and advertisements for sales of property and equipment.

605.02 Marketing: \$1,000 - This account provides expenditures for announcements in publications, newspapers, trade journals, Internet, or broadcasts over radio and television for marketing and promoting competitive services offered by the division.

610.01 Community Promotion: \$4,000 – This account provides expenditures for the promotion of community activities and programs. Included are scholarships benefitting local high school students and donations to civic organizations, sport teams and hosting or sponsoring community events.

610.02 Grant Awards: \$52,405 – This account provides expenditures for the Telecommunications Division's share of the City's Community Grant Program.

615.01 Professional Licenses & Certification: \$250 - This account provides expenditures for any professional licenses or certifications that the company may want to acquire or keep.

615.02 Assn. Membership Dues & Fees: \$46,000 – This account provides expenditures for memberships in professional and trade associations such as the National Telecommunications Cooperative Association, Alaska Telecommunications Association, and Western Telecommunications Association. These industry organizations pool resources to influence regulations and coordinate legislative action plans. Additional memberships include the National Cable Television Cooperative, which provides the Telecommunications Division with much of its television content.

630.01 Building and Operating Permits: \$180,000 - This account provides expenditures for permits for construction, right-of-ways, and easements and regulatory fees for operations. Included in this account are USAC USF contributions, Interstate TRS for hearing impaired fees and caller ID data dip fees.

630.02 Vehicle Licenses: \$500 – This account provides expenditures for licensing the division's vehicles for operations on public highways.

630.03 Bank & Merchant Fees: \$4,000 – This account provides expenditures for monthly bank account service charges, merchant fees for use of credit and debit cards, wire transfer fees and other fees for banking services.

630.04 Broadcast Content Fees: \$1,625,000 – This account provides expenditures for the right to broadcast copyrighted intellectual property over the Telecommunications Division's IPTV network. Fees are generally paid on a per customer basis. Customer demand for existing and new programming services as well as programming rates negotiated with content providers determine what the Telecommunication Division must pay for its television content.

630.05 Software Licenses: \$500 - This account provides expenditures for miscellaneous software licenses that are not part of the IT Department's normal suite of software licenses.

630.06 Service Charges and Fees: \$250 – This account provides expenditures for miscellaneous service charges and fees. Included are filing fees, recording fees and fees not accounted for in other accounts.

635.02 Janitorial & Cleaning Services: \$21,000 - This account provides expenditures for services to clean facilities and equipment owned or leased by the division. Included are janitorial, carpet cleaning and laundry services.

635.03 Vehicle Maintenance Services: \$20,000 – This account provides expenditures for the repair and maintenance of KPU vehicles by outside maintenance facilities. This account includes contract labor and materials required to provide the service.

635.04 Software and Equipment Maintenance Services: \$575,000 - This account provides expenditures for maintenance agreements to support licensed software and equipment systems. All of the primary equipment platforms the Telecommunications Division utilizes in providing services to customers such as its access and switching platforms require specialized software and maintenance support agreements so that staff can keep current versions of software and have access to their support services for outages or other technical difficulties. Also included are software services to support the division's automated provisioning and end user and carrier billing systems.

635.06 Building and Grounds Maintenance Services: \$16,000 - This account provides expenditure for the repair and maintenance of buildings and the upkeep of grounds owned or leased by the City/KPU. This account includes contract labor and materials required to provide the service.

635.07 Machinery & Equipment Maintenance Services: \$8,000 - This account provides expenditures for the repair and maintenance of office equipment, machinery and other operating equipment owned or leased by the City/KPU. This account includes contract labor and materials required to provide the service. It also includes service maintenance agreements for equipment that does not require software support and are paid on either a fixed fee or fee based on usage.

635.08 Infrastructure and Plant Maintenance Services: \$65,000 - This account provides expenditures for contractual services for the repair and maintenance of infrastructure owned or leased by the division. This account includes contract labor and materials required to provide the service. Included are overhead and underground telecommunication facilities and telecommunications central office.

635.12 Technical Services: \$105,000 - This account provides expenditures for the cost of the division's email platform and after-hours 24/7 help desk support. It is critical to KPU customers that they have access to after-hours support to resolve service problem issues. This also covers the cost of after hours network monitoring so that KPU may be notified of any larger outages and respond promptly.

635.14 Other Contractual Services: \$110,000 - This account provides expenditures for contractual services not identified in the account classifications under contractual services such as Signaling System 7 links and database charges, AECA tariff management and engineering design services.

640.01 Legal and Accounting Services: \$50,000 - This account provides expenditures for legal and accounting services. Included are contract attorney services, audit services, accounting and financial services, arbitration services, specialized legal services for complex issues that cannot be addressed by the City's Legal Department and other legal services.

640.02 Engineering & Architectural Services: \$225,000 - This account provides expenditures for engineering and consulting services such as professional engineering services to support the division's core network and Internet and hosted PBX infrastructure as well as any other specialized services that fall outside the scope of the division's current capabilities.

640.04 Management and Consulting Services: \$125,000 - This account provides expenditures for management and consulting services. Included are project management, cost studies, rate studies, management studies and other management and consulting engagement requiring persons or firms with specialized skills and knowledge.

645.01 Rents and Leases - Land and Buildings: \$190,000 - This account provides expenditures for the rent and lease of land and buildings. Included are offices, housing for temporary employees and space rental for events, storage yards and covered storage facilities. Both operating and capital leases are accounted for in this account.

645.02 Rents and Leases - Machinery & Equip: \$2,000 - This account provides expenditures for the rent and lease of machinery & equipment.

645.04 Rents and Leases – Infrastructure: \$2,380,000 - This account provides expenditures for the rent and lease of telecommunications facilities. Included are tower and transport leases for the division's 4G/LTE and microwave systems, charges related to providing Internet connectivity, charges for DSL services, electric pole attachments and wholesale long distance minutes.

650.01 Telecommunications: \$154,000 - This account provides expenditures for telecommunication services. Included are charges for wired and wireless telecommunications services, cell phones, Internet, long distance and toll-free numbers.

650.02 Electric, Water, Sewer & Solid Waste: \$265,000 - This account provides expenditures for electric, water, sewer, and solid waste utility services.

790.15 Furniture and Fixtures: \$7,500 - This account provides expenditures for acquisition of furniture and fixtures. Included are desks, chairs, tables, workstations, file cabinets, storage cabinets and building fixtures.

790.25 Machinery and Equipment: \$10,000 - This account provides expenditures for the acquisition of machinery and equipment usually composed of a complex combination of parts. Included are office equipment, computer equipment and operating equipment required to provide services or maintain capital assets.

790.35 Software: \$500 - This account provides expenditures for any specialized software required for the division to effectively and efficiently manage the business.

800.00 Interdepartmental Charges – Administrative: \$167,360 - This account provides expenditures for administrative and management services provided by the departments of the City Council, City Clerk, City Attorney and the administrative office of the City Manager.

801.01 Interdepartmental Charges – Human Resources: \$93,110 - This account provides expenditures for human resource services provided by the Human Resources Division.

802.00 Interdepartmental Charges - Finance: \$403,310 - This account provides expenditures for financial, accounting, payroll, accounts payable, billing, customer service and budgeting services provided by the Finance Department.

803.01 Interdepartmental Charges – Information Technology: \$269,220 - This account provides expenditures for information technology services provided by the Information Technology Department.

825.01 Interdepartmental Charges – Insurance: \$119,930 - This account provides expenditures for risk management services and claims.

931.01 Debt Service-Principal: \$694,627 - This account provides expenditures for principal on bonds, loans, capital leases and other financing arrangements.

932.01 Debt Service-Interest: \$477,632 - This account provides expenditures for interest on bonds, loans, capital leases and other financing arrangements.

975.00 Payment in Lieu of Taxes: \$206,358 - This account provides expenditures for payments in lieu of taxes assessed against the enterprise funds of the City.

BUDGET DEFINITIONS

- AUP – Acceptable Use Policy: A policy which applies to customers and defines what is considered an acceptable use of their services purchased from KPU.
- CER – Compact Edge Router: A router, manufactured and sold by Brocade, used to deliver IP services to KPU customers.
- DU – Baseband Digital Unit: A component of the Ericsson 4G/LTE network, and part of the Verizon network.
- IPTV - Internet Protocol Television: Technology for delivering video content to customers utilizing Internet Protocol.
- IRU – Indefeasible Rights of Use: A permanent contractual agreement to use capacity on a network or facility.
- MDU - Is a Multi Dwelling Unit of apartments, rooms, or businesses,
- MLX Core Router: A router manufactured and sold by Brocade, used to deliver IP services to KPU customers.
- MPEG - Moving Picture Experts Group (Video). MPEG-4 is Fourth Generation Video Encoding.
- NTP Servers – Network Time Protocol: Similar to a BITS clock, it provides GPS timing to IP connected devices, such as routers, switches, and servers.
- ONT - An Optical Network Terminal is a network interface device used in fiber-optic systems.
- OSHA - Occupational Safety and Health Administration.
- PSAP - Public Safety Answering Point for receiving 911 calls.
- SBC – Session Border Controller: Utilized to secure communications between the public internet and the division's voice infrastructure.
- SS7 - Signaling System 7: An out of band network that provides call connection and call routing information.
- SIP – Session Initiation Protocol: The protocol utilized to offer Voice in an IP network.
- SSID - Service Set Identifier is a unique ID used for naming wireless networks to insure digital data gets sent to the correct destination.
- TRS - Telecommunications Relay Service: System to enable communications for the hearing impaired.
- USF - Universal Service Fund: Federal fund to facilitate affordable communications in rural areas and schools and libraries.
- VMware – Virtual Machine Software: A software suite utilized to “virtualize” servers and platforms, allowing for hardware savings by running many different systems on a single platform.

KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Telecommunications Division

Capital Budget

Major Capital Outlay	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
700.00 Land	-	-	37,500	37,500		-	NA
705.00 Buildings	21,244	25,000	25,000	25,000	10,000	(15,000)	-60.0%
720.00 Vehicles & Moving Equipment	122,876	150,000	150,000	150,000	-	(150,000)	-100.0%
725.00 Machinery and Equipment	55,139	95,000	112,000	87,000	55,000	(40,000)	-42.1%
730.00 Infrastructure	1,473,040	13,205,000	13,182,395	11,734,490	2,110,000	(11,095,000)	-84.0%
740.00 Other Assets	35,893	-	-	-	-	-	NA
Total Major Capital Outlay	1,708,192	13,475,000	13,506,895	12,033,990	2,175,000	(11,300,000)	-83.9%

Capital Improvement Projects		Funding Sources			
Project #	Project	KPU	Grants	Bonds	Total
		Enterprise Fund			
705.00 Buildings					
	Regulated				
	Normal Growth and Repair Buildings	10,000			10,000
	Total Buildings	10,000	-	-	10,000
725.00 Machinery and Equipment					
	Regulated				
	PC Hardware & Software	40,000			40,000
	Operating Equipment	15,000			15,000
	Total Machinery and Equipment	55,000	-	-	55,000
730.00 Infrastructure					
	Regulated				
	Normal Growth and Repair - Copper Cable	10,000			10,000
	Normal Growth and Repair - Fiber Cable	100,000			100,000
	Normal Growth and Repair - CO Transmission	150,000			150,000
	Normal Growth and Repair - Expansion	5,000			5,000
	Normal Growth and Repair - Provisioning	10,000			10,000
	Fiber to the Home	50,000			50,000
	Remote Cabinets for Advanced Services	10,000			10,000
	Core Network Upgrade	100,000			100,000
	Server Environment	50,000			50,000
	Multi-Dwelling Unit Project	100,000			100,000
	Power Expansion/Reclamation	5,000			5,000
	Network Monitoring	100,000			100,000

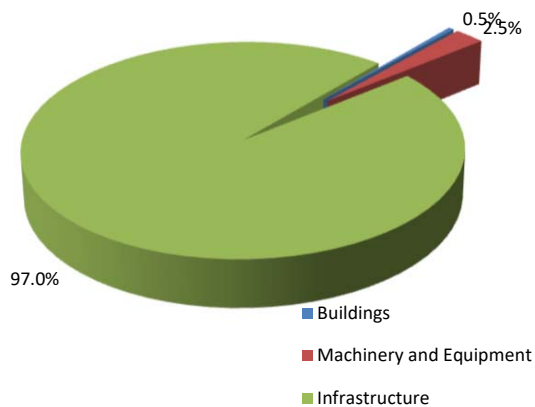
KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Telecommunications Division

Capital Budget

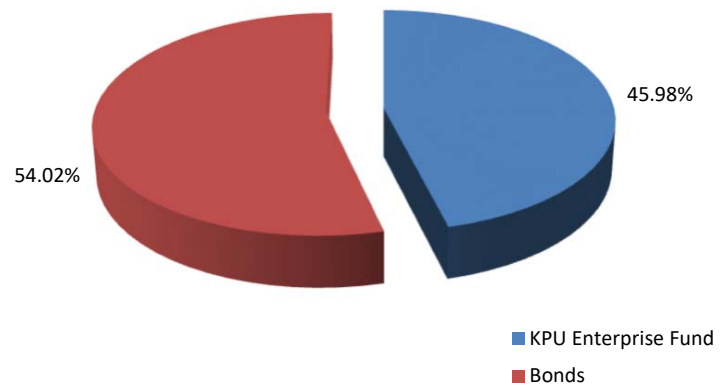
2021 Capital Improvement Projects (continued)

2021 Capital Improvement Projects (continued)		Funding Sources			
Project #	Project	KPU	Grants	Bonds	Total
		Enterprise Fund			
730.00 Infrastructure (continued)					
	Non-Regulated				
	Headend Expansion	10,000			10,000
	Internet Expansion	-		1175000	1,175,000
	Video Set Top Boxes	25,000			25,000
	4G/LTE	60,000			60,000
	Hosted	100,000			100,000
	WiFi	50,000			50,000
	Total Infrastructure	935,000	-	1,175,000	2,110,000
	Total Capital Budget	1,000,000	-	1,175,000	2,175,000

Expenditures by Type



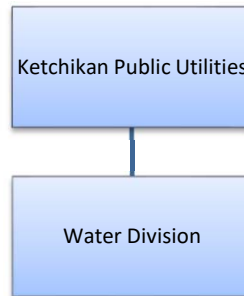
Expenditures by Funding Source



KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Water Division

Summary

The Water Division is one of three utilities operated by Ketchikan Public Utilities, a non-regulated public utility owned by the City of Ketchikan. The Water Division serves approximately 3,330 customers.



The Water Division operates one division and oversees one Capital Improvement Program.

DEPARTMENT EXECUTIVE SUMMARY

Divisions/Cost Center/Programs	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operations	3,592,422	3,934,888	3,934,888	3,333,016	3,854,803	(80,085)	-2.0%
Capital Improvement Program	883,526	9,356,070	9,456,070	960,693	8,745,377	(610,693)	-6.5%
Total	4,475,948	13,290,958	13,390,958	4,293,709	12,600,180	(690,778)	-5.2%

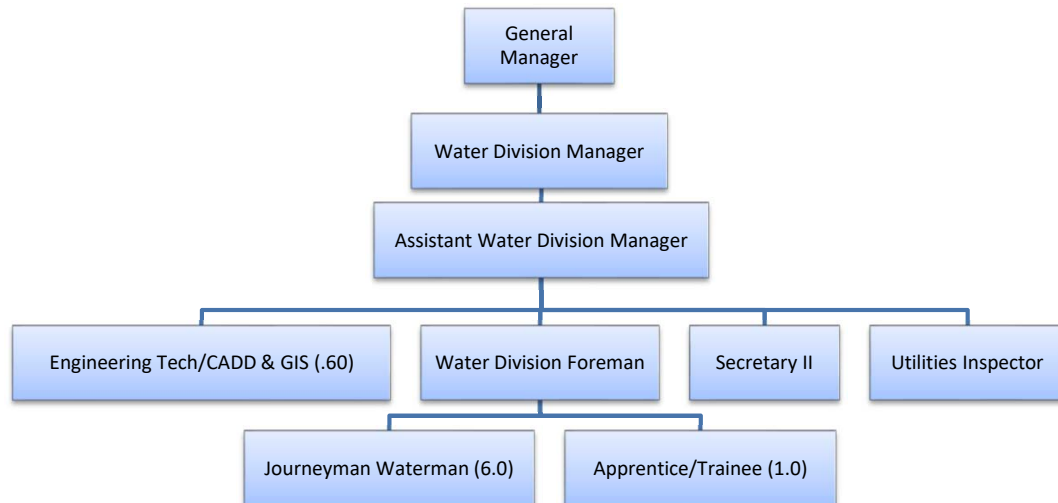
Expenditures by Category	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	1,581,345	1,720,948	1,721,578	1,635,545	1,781,456	60,508	3.5%
Supplies	362,550	328,855	338,225	320,681	304,511	(24,344)	-7.4%
Contract/Purchased Services	463,368	560,390	550,390	434,440	507,925	(52,465)	-9.4%
Minor Capital Outlay	3,872	5,700	5,700	2,400	3,000	(2,700)	-47.4%
Interdepartmental Charges	381,492	498,627	498,627	438,428	452,516	(46,111)	-9.2%
Debt Service	602,146	607,746	607,746	303,873	607,746	-	0.0%
Payment in Lieu of Taxes	197,649	212,622	212,622	197,649	197,649	(14,973)	-7.0%
Major Capital Outlay	883,526	9,356,070	9,456,070	960,693	8,745,377	(610,693)	-6.5%
Total	4,475,948	13,290,958	13,390,958	4,293,709	12,600,180	(690,778)	-5.2%

Funding Source	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	4,475,948	4,736,781	4,836,781	3,588,209	4,751,503	14,722	0.3%
Bonds	-	8,554,177	8,554,177	705,500	7,848,677	(705,500)	-8.2%
Total	4,475,948	13,290,958	13,390,958	4,293,709	12,600,180	(690,778)	-5.2%

Personnel	2019	2020 Budget		2021		2020 Adopted/2021	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
Operations	10.93	11.60	11.60	12.60	1,015,086	1.00	8.6%
Total	10.93	11.60	11.60	12.60	1,015,086	1.00	8.6%

MISSION STATEMENT

The Water Division is committed to providing residents and businesses of Ketchikan with pure and safe potable water as may be required for residential, commercial and industrial purposes. In order to achieve this goal, the division is responsible for the maintenance and operation of more than 33 miles of distribution system within the municipality, several reservoirs and associated pump stations. Daily tasks of the Water Division include continuous monitoring and chemical testing to ensure water purity and quality at all times. The Water Division stands ready to assist its customers as efficiently and effectively as possible within guidelines established by federal and state law, the Charter of the City of Ketchikan, the Ketchikan Municipal Code and the ratepayers of the Utility as represented by the City Council.



GOALS FOR 2021

- Continue to seek a Limited Alternative to Filtration (LAF) or similar non-filtration regulatory solution as provided by the Federal Safe Drinking Water Act Amendments by working with consultants as well as State and Federal regulators and legislators. Ketchikan already meets both of the qualifying criteria: an uninhabited, undeveloped watershed that is access controlled by the the utility operating the system; and Ketchikan already has a current treatment system that is providing a higher level of treatment through the use of UV, free chlorine, and chloramine disinfection than would even be required should an entirely new water filtration system be constructed.
- Continue to address the issue of the failing Schoenbar Road raw water transmission main including the installation of a replacement, non-corrodible segment between Norman Walker Field and the Ketchikan Charter School. This will allow the community to continue receiving safe, potable water while construction then begins to replace all of the existing water distribution and wastewater utilities beneath this same segment of Schoenbar Road between Ketchikan Charter School and Schoenbar Middle School.
- Continue to take whatever actions are necessary for Ketchikan to comply with the latest amendments to the Safe Drinking Water Act while meeting the requirements of the US EPA's Administrative Order that allows Ketchikan to remain as an unfiltered system while the LAF or similar regulatory path is sought. Demonstrate to the satisfaction of customers and regulatory agencies that the UV Disinfection and Chloramination Facility has achieved all of its objectives and is delivering pure, safe potable water to our ratepayers. This includes enforcement of the Utility's cross-connection program and requiring backflow preventers wherever the possibility of contamination exists.

- Continue efforts to implement the ongoing water and wastewater metering project of our business and commercial ratepayers. The latest design/build contract has the contractor preparing a simplified design for each of 50 individual meter installations for review and approval by KPU. After KPU's approval of a design is issued, the contractor then begins installation of that new meter. As before, this contract is limited in size to allow everyone involved to both gain experience and to obtain better knowledge of any difficulties that are encountered. If this proves to be a satisfactory method to install future water meters, there are still approximately 265 remaining unmetered businesses and large apartment complexes that will be awarded and installed in subsequent design/ build contracts in both 2020 and 2021.
- Recruit, hire, and train two (2.0) full-time apprentices/trainees to prepare for the eligible retirement of two Journeyman Watermen. If retirements occur when the employees become eligible, this represents nearly 30% loss of current staff. apprenticeship takes 4 years before that person is fully trained and qualified to become a Journeymen. During that 4-year period, the apprentice is not only receiving individual instruction in all the daily preventative maintenance routines that are necessary to keep the utility's equipment fully operational, they also have to study and pass comprehensive ADEC qualification tests to demonstrate that they understand the technical aspects of their chosen profession.

ACCOMPLISHMENTS FOR 2020

Filtration-Avoidance and Limited Alternative to Filtration Solution

On April 16, 2020, Ketchikan sent a proposal outline to ADEC that meets the Federal criteria for submission of a Limited Alternative to Filtration (LAF) and has asked ADEC for their approval before making the LAF submission. As noted, the LAF must address two elements of the water supply; the disinfection treatment process, and the source raw water quality including the surrounding control of the watershed. In addition, the LAF requires that the disinfection treatment process provide greater removal and/or inactivation of regulated microbial contaminants and organisms including cryptosporidium oocysts, giardia lamblia cysts, and viruses than would be achieved by a combination of filtration with chlorine disinfection alone.

Whether KPU's proposal outline is approved in its entirety as submitted or additional information is requested by ADEC, the next step is preparing complete documentation of each of the issues that are identified in our proposal and, with the assistance of the Jacobs Engineering Group; a case-specific LAF application will be prepared for ADEC and US EPA review. After approval of the LAF criteria is received, KPU will submit its formal request in a LAF Decision Report that will document how KPU will meet the established LAF requirements. KPU has proposed minimum levels of treatment that would meet all of those criterions including additional giardia inactivation that would occur whenever the incoming raw water turbidity exceeded 3 NTU (Nephthometric Turbidity Units).

The source water quality was also described in terms which only occur infrequently; turbidities greater than 5 NTU and fecal coliform colonies greater than 20 CFU/ 100 milliliter sample. Despite the number of fecal colonies in the raw water only occasionally exceeding permissible levels, the treatment system continues operation within its validated performance range and still provides 2-log (99%) inactivation of cryptosporidium, 3-log (99.9%) inactivation of giardia lamblia, and 4-log (99.99%) inactivation of viruses. The disinfected potable water being delivered to Ketchikan's distribution system remains entirely safe to drink. In the case of high turbidity, the system is isolated until the turbidity has decreased within manageable limits. It also noted that KPU's watershed is owned by the US Forest Service and the Bureau of Land Management, granted by a 1939 Act of Congress to the citizens of Ketchikan, and access to the water shed is restricted and controlled.

Schoenbar Road Raw Water Main Replacement

DOWL Engineers, who have already completed the earlier design work for the replacement to Schoenbar Road's distribution water and wastewater mains are now designing a replacement for the failing portion of the 36-inch raw water transmission main in Schoenbar Road. It will be a single, permanent 42-inch HDPE pipeline to be located between the southwesterly edge of Norman Walker Field (adjacent to Park Avenue parking area), and the Ketchikan Charter School. Beginning at the westerly edge of Norman Walker Field, it will cross Schoenbar Creek adjacent to where Schoenbar Creek's 96-inch multiplate culvert begins, and then remain buried under Schoenbar Middle School's driveway, passing beneath the School District's Maintenance Shop parking area and the Ketchikan Charter School's playground before reconnecting to the remainder of the existing raw water transmission main.

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Authorization has already been received from the City Council to seek property easements for the proposed alternative alignment from the Ketchikan Gateway Borough (KGB) and the School District. Preliminary meetings with their representatives have occurred and discussion of the proposed conceptual route appears in the Borough Public Works Manager's July 20, 2020 Report to the Assembly. This report notes that this proposal appears to be in the Borough's best interest and that their staff intends to work out the particulars with KPU's administrators and will return action items to the Assembly. A copy of this report was also forwarded to the School District for their consideration.

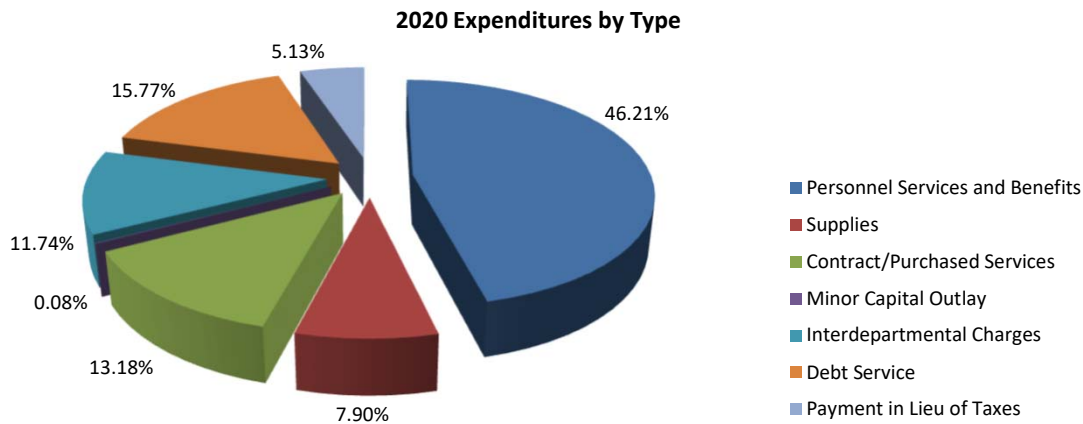
Additional geotechnical borings along the proposed pipeline route have already occurred and DOWL is completing the final details for the upstream and downstream 42-inch HDPE connection points. Once approved, this will allow KPU to begin preparations for placing an order for six 42-inch butterfly valves. They will be very long delivery items and may not be delivered before 2021. The ADEC Drinking Water Loan that is providing the financing for this project includes the Buy American requirement for all iron and steel products. Due to a limited market for valves this large, United States manufacturers are not likely to maintain any in inventory and will probably only manufacture them after receipt of an order.

DIVISION SUMMARY

Expenditures by Category	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	1,581,345	1,720,948	1,721,578	1,635,545	1,781,456	60,508	3.5%
Supplies	362,550	328,855	338,225	320,681	304,511	(24,344)	-7.4%
Contract/Purchased Services	463,368	560,390	550,390	434,440	507,925	(52,465)	-9.4%
Minor Capital Outlay	3,872	5,700	5,700	2,400	3,000	(2,700)	-47.4%
Interdepartmental Charges	381,492	498,627	498,627	438,428	452,516	(46,111)	-9.2%
Debt Service	602,146	607,746	607,746	303,873	607,746	-	0.0%
Payment in Lieu of Taxes	197,649	212,622	212,622	197,649	197,649	(14,973)	-7.0%
Total Expenditures	3,592,422	3,934,888	3,934,888	3,333,016	3,854,803	(80,085)	-2.0%

Funding Source	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	3,592,422	3,934,888	3,934,888	3,333,016	3,854,803	(80,085)	-2.0%
Total Funding	3,592,422	3,934,888	3,934,888	3,333,016	3,854,803	(80,085)	-2.0%

Personnel	2019	2020 Budget		2021		2020 Adopted/2021	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
Water Division Manager	1.00	1.00	1.00	1.00	131,515	-	0.0%
Assistant Water Division Manager	0.33	1.00	1.00	1.00	125,177	-	0.0%
Foreman	1.00	1.00	1.00	1.00	87,131	-	0.0%
Journeyman Waterman	6.00	6.00	6.00	6.00	460,392	-	0.0%
Apprentice/ Trainee	-	-	-	1.00	46,259	1.00	New
Utility Inspector	1.00	1.00	1.00	1.00	72,010	-	0.0%
Eng Tech/KPU-CADD & GIS	0.60	0.60	0.60	0.60	40,872	-	0.0%
Secretary II	1.00	1.00	1.00	1.00	51,730	-	0.0%
Total	10.93	11.60	11.60	12.60	1,015,086	1.00	8.6%



OPERATING BUDGET CHANGES FOR 2021

Changes between the adopted operating budget for 2020 and the proposed operating budget for 2021 where a line item's increase or decrease is more than \$5,000 and more than 5% from the prior year are discussed below:

- Personnel Services and Benefits increased by \$123,357, or by 7.2%, primarily due to the addition of two (2.0) apprentices/trainees and the rising cost of health and life insurance premiums. Overtime wages have been reduced to reflect the financial impacts to the KPU Enterprise Fund a result of the COVID-19 pandemic.
- Chemicals (Account 510.06) decreased by \$15,000, or by 14.3%, to more accurately reflect expenditures in recent years.
- Travel-Training and Education (Account No. 600.03) decreased by \$9,000, or by 75.0%, to reflect the financial impacts to the KPU Enterprise Fund a result of the COVID-19 pandemic.
- Technical Services (Account No. 635.12) decreased by \$10,000, or by 12.5%, due to historical expenses showing a lesser amount is needed to maintain the division's specialized operating equipment and its control instrumentation.
- Rents and Leases - Machinery & Equipment (Account No. 645.02) increased by \$10,000, or by 333.3%. It is not likely the Schoenbar Water Transmission Main replacement segment will be completed in 2021 and further remedial repairs to the existing transmission main are anticipated. As with previous failures of this main, additional heavy construction equipment will need to be rented.
- Electric, Water, Sewer & Solid Waste (Account No. 650.02) decreased by \$38,800, or by 18.1%. Due to the earlier drought conditions in Southeast Alaska, the electric utility continued assessing a diesel surcharge into 2020 that has finally ceased. Weather patterns have returned to normal and an allowance for a diesel surcharge is not anticipated for 2021.
- Interdepartmental Charges decreased by \$44,621, or by 8.9%, due to efforts to reduce costs in the departments that provide interdepartmental services in order to stabilize reserves in the event that the COVID-19 pandemic extends into 2021. Property insurance premiums have been increasing in recent years because rising construction costs have had an impact on replacement cost values and poor claims experience in the municipal insurance markets. Commercial general liability insurance premiums have been increasing due to poor claims experience in the municipal insurance markets.
- Debt Service - Interest (Account No. 932.01) decreased by \$7,436, or by 6.5%, due to a payment of that same amount to the Principal.
- Payment in Lieu of Taxes (Account No. 975.00) decreased by \$14,973, or by 7.0% due to decision to keep the property tax mill rate at 6.6.

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DIVISION OPERATING BUDGET DETAIL							
Operating Expenditures	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits							
500 .01 Regular Salaries and Wages	928,644	984,908	984,908	966,620	1,015,086	30,178	3.1%
501 .01 Overtime Wages	102,139	113,000	113,000	83,160	79,100	(33,900)	-30.0%
505 .00 Payroll Taxes	77,207	83,990	83,990	79,090	83,710	(280)	-0.3%
506 .00 Pension	179,834	199,070	199,070	185,050	203,050	3,980	2.0%
507 .00 Health and Life Insurance	263,771	291,390	291,390	274,150	348,260	56,870	19.5%
507 .30 Workers Compensation	30,039	27,850	27,850	26,780	28,600	750	2.7%
508 .00 Other Benefits	(2,179)	18,100	18,100	18,100	20,380	2,280	12.6%
509 .04 Allowances-KPU Clothing	1,890	1,890	2,520	2,520	2,520	630	33.3%
509 .08 Allowances-Medical Expenses	-	750	750	75	750	-	0.0%
Personnel Services and Benefits	1,581,345	1,720,948	1,721,578	1,635,545	1,781,456	60,508	3.5%
Supplies							
510 .01 Office Supplies	2,279	4,000	4,000	3,500	3,500	(500)	-12.5%
510 .02 Operating Supplies	787	10,000	9,370	8,000	9,000	(1,000)	-10.0%
510 .03 Safety Program Supplies	1,086	3,500	3,500	2,500	3,500	-	0.0%
510 .04 Janitorial Supplies	514	750	750	350	450	(300)	-40.0%
510 .05 Small Tools & Equipment	3,120	5,000	4,400	3,500	4,000	(1,000)	-20.0%
510 .06 Chemicals	72,282	105,000	95,000	90,000	90,000	(15,000)	-14.3%
515 .01 Vehicle Maintenance Materials	9,003	20,000	20,000	15,000	15,000	(5,000)	-25.0%
515 .02 Building & Grounds Maint Materials	5,738	5,000	5,600	5,600	5,000	-	0.0%
515 .04 Machinery & Equip Maint Materials	43,689	60,000	70,000	70,000	60,000	-	0.0%
515 .05 Infrastructure & Plant Maint Materials	203,587	90,000	100,000	100,000	90,000	-	0.0%
520 .02 Postage	334	500	1,000	1,000	500	-	0.0%
520 .03 Bulk Mailing	3,602	4,000	4,000	3,800	4,000	-	0.0%
520 .04 Freight-Materials & Supplies	2,741	3,000	3,000	2,500	3,000	-	0.0%
525 .04 Vehicle Motor Fuel & Lubricants	12,539	16,000	14,500	12,500	14,000	(2,000)	-12.5%
525 .07 Machinery & Equip Fuel & Lubricants			1,000	1,000	1,000	1,000	NA
530 .02 Periodicals	155	155	161	161	161	6	3.9%
530 .03 Professional & Technical Publications	1,013	1,450	1,444	1,270	1,200	(250)	-17.2%
535 .02 Business and Meal Expenses	81	500	500		200	(300)	-60.0%
Supplies	362,550	328,855	338,225	320,681	304,511	(24,344)	-7.4%

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Operating Expenditures	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Contract/Purchased Services							
600 .01 Travel-Business	-	12,500	12,500	6,100	12,500	-	0.0%
600 .02 Travel-Training	750	3,000	3,000	20	750	(2,250)	-75.0%
600 .03 Travel-Training and Education	6,075	12,000	12,000	620	3,000	(9,000)	-75.0%
605 .01 Advertising and Public Announcements	1,355	1,200	1,200	1,000	1,200	-	0.0%
605 .02 Advertising and Publishing - Marketing	10,963	750	750	700	750	-	0.0%
610 .02 Grant Awards	18,000	18,540	18,540	18,540	16,125	(2,415)	-13.0%
615 .01 Professional Licenses & Fees	885	1,000	1,000	1,000	1,000	-	0.0%
615 .02 Assn. Membership Dues & Fees	2,056	2,000	2,400	2,400	2,000	-	0.0%
630 .01 Building & Operating Permits	100	1,500	2,000	2,000	1,500	-	0.0%
630 .02 Vehicle Licenses	109	100	100	60	100	-	0.0%
635 .04 Software Maintenance Services	12,164	12,000	11,600	11,500	12,000	-	0.0%
635 .06 Bldg & Grounds Maintenance Services	4,821	4,000	3,500	3,500	4,000	-	0.0%
635 .07 Machinery & Equipment Maint Services	895	20,000	10,500	10,500	20,000	-	0.0%
635 .08 Infrastructure Maintenance Services	29,783	40,000	38,800	35,000	40,000	-	0.0%
635 .12 Technical Services	44,436	80,000	60,000	40,000	70,000	(10,000)	-12.5%
640 .02 Engineering & Architectural Services	75,100	100,000	100,000	75,000	100,000	-	0.0%
645 .02 Rents and Leases-Machinery & Equip	2,565	3,000	13,000	12,500	13,000	10,000	333.3%
650 .01 Telecommunications	33,535	35,000	45,700	45,300	35,000	-	0.0%
650 .02 Electric, Water, Sewer & Solid Waste	219,776	213,800	213,800	168,700	175,000	(38,800)	-18.1%
Contract/Purchased Services	463,368	560,390	550,390	434,440	507,925	(52,465)	-9.4%
Minor Capital Outlay							
790 .15 Furniture and Fixtures	-	1,000	1,000	500	1,000	-	0.0%
790 .26 Computers, Printers and Copiers	3,872	4,700	4,700	1,900	2,000	(2,700)	-57.4%
Minor Capital Outlay	3,872	5,700	5,700	2,400	3,000	(2,700)	-47.4%
Interdepartmental Charges							
800 .00 Interdepartmental-Administrative	50,252	53,460	53,460	51,460	51,500	(1,960)	-3.7%
801 .01 Interdepartmental-Human Resources	17,060	27,160	27,160	25,450	22,760	(4,400)	-16.2%
802 .00 Interdepartmental-Finance	114,981	128,890	128,890	121,940	124,100	(4,790)	-3.7%
803 .01 Interdepartmental-Information Tech	51,997	60,820	60,820	58,980	53,850	(6,970)	-11.5%
804 .01 Interdepartmental-Engineering	81,539	134,000	134,000	101,000	112,000	(22,000)	-16.4%
825 .01 Interdepartmental-Insurance	36,034	51,820	51,820	46,970	55,450	3,630	7.0%
850 .04 Interdepartmental-Bldg Rent	29,629	42,477	42,477	32,628	32,856	(9,621)	-22.6%
Interdepartmental Charges	381,492	498,627	498,627	438,428	452,516	(46,111)	-9.2%
Debt Service							
931 .01 Debt Service-Principal	486,629	493,958	493,958	246,979	501,394	7,436	1.5%
932 .01 Debt Service-Interest	115,517	113,788	113,788	56,894	106,352	(7,436)	-6.5%
Debt Service	602,146	607,746	607,746	303,873	607,746	-	0.0%
Other Costs							
975 .00 Payment in Lieu of Taxes	197,649	212,622	212,622	197,649	197,649	(14,973)	-7.0%
Other Costs	197,649	212,622	212,622	197,649	197,649	(14,973)	-7.0%
Total Expenditures by Type	3,592,422	3,934,888	3,934,888	3,333,016	3,854,803	(80,085)	-2.0%

NARRATIVE

500.01 Regular Salaries and Wages: \$1,015,086 - This account provides expenditures for the cost of the annual wages of the employees of the Water Division. A request is submitted in this draft budget for the addition of two apprentice/ trainees in 2021.

501.01 Overtime Wages: \$79,100 - This account provides expenditures for the cost of overtime incurred by employees of the Water Division during the course of the year.

505.00 Payroll Taxes: \$83,710 - This account provides expenditures for employer contributions for Social Security, Medicare, and other similar payroll related taxes.

506.00 Pension: \$203,050 - This account provides expenditures for employer contributions to retirement plans.

507.00 Health and Life Insurance: \$348,260 - This account provides expenditures for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation: \$28,600 - This account provides expenditures for employer contributions to workers compensation.

508.00 Other Benefits: \$20,380 - This account provides expenditures for direct claims from former employees for unemployment benefits paid by the State of Alaska and accrued vacation and sick leave.

509.04 Allowances-KPU Clothing: \$2,520 - This account provides expenditures for employer provided protective clothing allowances paid directly to represented employees of Ketchikan Public Utilities pursuant to collective bargaining agreements or the Personnel Rules.

509.08 Allowances-Medical Expenses: \$750 - This account provides expenditures for employee medical exams paid directly to employees. These benefits are taxable to the employees.

510.01 Office Supplies: \$3,500 - This account provides expenditures for the purchase of expendable office supplies used by the division during the course of a year. Included are supplies such as copy and large format plotter paper, toner, ink and fax cartridges, staples, etc.

510.02 Operating Supplies: \$9,000 - This account provides expenditures for supplies that are normally not of a maintenance nature and are required to support department operations. Included are supplies such as laboratory supplies, chemical testing equipment and engineering materials.

510.03 Safety Program Supplies: \$3,500 - This account provides expenditures for the purchase of materials and supplies required to conduct an ongoing safety program for the Water Division.

510.04 Janitorial Supplies: \$450 - This account provides expenditures for the cost of janitorial supplies utilized by the Water Division during the course of the year.

510.05 Small Tools and Equipment: \$4,000 - This account provides expenditures for the purchase and/or replacement of small tools and equipment used by the division.

510.06 Chemicals: \$90,000 - This account provides expenditures for the purchase of the various chemicals including salt, soda ash, phosphoric acid and ammonium hydroxide that are used for water disinfection and treatment.

515.01 Vehicle Maintenance Materials: \$15,000 - This account provides expenditures for the cost to maintain the division's vehicles and operating equipment and its share of operating the Electric Division's vehicle maintenance facility.

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515.02 Building & Grounds Maintenance Materials: \$5,000 - This account provides expenditures for the cost of materials used by staff for the repair and maintenance of the division's buildings. The buildings operated by the division include the Water Warehouse, the UV Disinfection Facility, the Chlorination Plant, the Ammonia Addition Building, the Two-Point Chlorination Facility and the four water pump station structures including their six associated reservoirs.

515.04 Machinery & Equipment Maintenance Materials: \$60,000 - This account provides expenditures for the cost of materials for the repair and maintenance of the division's machinery and other operating equipment. Examples include such items as rebuild kits for specialized chemical feed pumps, the bearings, seals, couplings, and other parts used in rebuilding large pumps; the consumable parts and lamps used in the UV disinfection equipment; and the associated operating equipment and storage tanks installed at the three disinfection facilities.

515.05 Infrastructure Maintenance Materials: \$90,000 - This account provides expenditures for materials required for the repair and maintenance of Water Division infrastructure and plants owned by KPU. Included are the three disinfection and chemical addition facilities, all of the water mains located throughout the community including the failing segment in Schoenbar Road, the four pump stations and their six associated reservoirs and the Carlanna Lake Dam.

520.02 Postage: \$500 - This account provides expenditures for the cost of mailing division correspondence and water samples for analysis by independent labs.

520.03 Bulk Mailing: \$4,000 - This account provides expenditures for bulk mailings to KPU ratepayers including mailing the annual Consumer Confidence Report providing relevant water quality information to all ratepayers as required by EPA Regulations.

520.04 Freight-Materials & Supplies: \$3,000 - This account provides expenditures for freight expenses incurred with inventory purchases.

525.04 Vehicle Motor Fuel and Lubricants: \$14,000 - This account provides expenditures for the purchase of fuel and lubricants used for the operations of the division's vehicles.

525.07 Machinery & Equipment Fuel and Lubricants: \$1,000 - This account provides expenditures for the purchase of fuel and lubricants used for the operation of the division's standby generators located at the Chlorination Plant and the UV Disinfection Facility.

530.02 Periodicals: \$161 - This account provides expenditures for the division's subscription to the *Ketchikan Daily News*.

530.03 Professional and Technical Publications: \$1,200 - This account provides expenditures for the purchase of professional and technical publications. Included are engineering journals, textbooks and relevant water technical standards.

535.02 Business and Meal Expenses: \$200 - This account provides expenditures for reimbursements to employees for business related meal expenses.

600.01 Travel-Business: \$12,500 - This account provides expenditures for the cost associated with business travel incurred by the division.

600.02 Travel-Training: \$750 - This account provides expenditures for the cost associated with training travel incurred by the division.

600.03 Training and Education: \$3,000 - This account provides expenditures for the annual cost of EPA required training of Water Division personnel. Regulations mandate that the operating staff maintain their current distribution and treatment certifications through annual continuing education credits. Rather than send those employees outside, it is much more cost effective for the division to bring a qualified instructor to Ketchikan and conduct the classes here. The only exception would be for those employees whose educational needs are best met by attendance at a specific technical class being held within the Pacific Northwest metropolitan area.

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605.01 Ads and Public Announcements: \$1,200 - This account provides expenditures for advertising and public announcements in publications, newspapers, trade journals, Internet or broadcasts over radio and television.

605.02 Advertising and Marketing: \$750 - This account provides expenditures for the cost of all division related advertising and communications with the Utility's customers including funding for radio spots and newspaper ads to inform ratepayers of important news of changed conditions or public health implications. Other expenditures include the monthly charges for the telephone directory, street closures due to water main repairs and the advertising of contracts for bid.

610.02 Grant Awards: \$16,125 - This account provides expenditures for the Water Division's share of the City's Community Grant Program.

615.01 Professional Licenses and Technical Certifications: \$1,000 – This account provides expenditures for the renewal cost of the State of Alaska distribution and treatment certifications as required by EPA regulations for each of the division's operating employees in the performance of his or her duties.

615.02 Assn. Membership Dues & Fees: \$2,000 – This account provides expenditures for division memberships in the American Water Works Association, its associated Alaska counterpart, and the Alaska Rural Water Association.

630.01 Building and Operating Permits: \$1,500 - This account provides expenditures for permits required for ADEC regulatory functions including plan review, certificates to operate new construction, annual fees for Ketchikan and Carlanna Lakes water rights and the State of Alaska's annual filtration avoidance inspection.

630.02 Vehicle Licenses: \$100 – This account provides expenditures for licensing KPU vehicles for operation on public highways.

635.04 Software Maintenance Services: \$12,000 – This account provides expenditures for acquisition of software systems and upgrades covered by maintenance agreements.

635.06 Buildings and Grounds Maintenance Services: \$4,000 - This account provides expenditures for contractual services including labor and materials required for the repair and maintenance of buildings and the upkeep of grounds used by the division. The buildings operated by the division include the Water Warehouse, the UV Disinfection Facility, the Chlorination Plant, the Ammonia Addition Building, the Two-Point Chlorination Facility and the four water pump station structures including their six associated reservoirs.

635.07 Machinery and Equipment Maintenance Services: \$20,000 - This account provides expenditures for contractual services including labor and materials for the repair and maintenance of the division's machinery and other operating equipment and maintenance service agreements. Included are hydraulic breakers and gasoline powered tools, specialized chemical feed pumps, the pumps, motors, and switch gear installed in each pump station, operating equipment and storage tanks installed at the three disinfection facilities and the recalibration of hazardous gas monitors.

635.08 Infrastructure Maintenance Services: \$40,000 - This account provides expenditures for contractual services including labor and materials required for the repair and maintenance of the division's infrastructure. Contractual repair items include pavement and sidewalk restoration after water main or hydrant repairs are completed, chain-link security fencing and emergency standby generators repair.

635.12 Technical Services: \$70,000 - This account provides expenditures for services that are not regarded as professional but require technical or specialized knowledge. This account also provides funding for the extensive certified and independent laboratory water testing as required throughout the year as well as repair or replacement of specialized operating equipment and its control instrumentation.

640.02 Engineering and Architectural Services: \$100,000 - This account provides expenditures for engineering and architectural services in support of the division's efforts to comply with federal and state water quality regulations.

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Water Division

Operations 5400

645.02 Rents and Leases - Machinery & Equipment: \$13,000 - This account provides expenditures for the rent and lease of machinery and equipment. It is not likely the Schoenbar Water Transmission main replacement segment will be completed in 2021 and further remedial repairs to the existing main are anticipated. This account provides funds to rent rather than purchase seldom-used equipment needed in water main reconstruction or repair projects.

650.01 Telecommunications: \$35,000 - This account provides expenditures for telecommunication services. In addition to telecommunications used by the division's staff, telephone lines are used to provide direct instrument communication links between the division's pump stations and their associated reservoirs including operational alarms that report through the SCADA system located at the Bailey Power House. Additionally, operational fiber optic links are now providing direct communication and control between the UV Disinfection Facility, the Two-Point Chlorination Facility, the Ammonia Addition Facility and the Chlorination Plant. The equipment and instrumentation installed within each facility is also being continuously monitored through KPU's SCADA system.

650.02 Electric, Water, Sewer & Solid Waste: \$175,000 - This account provides expenditures for electric, water, sewer and solid waste utility services used by the division.

790.15 Furniture and Fixtures: \$1,000 - This account provides expenditures for acquisition of office furniture and fixtures.

790.26 Computers, Printers, and Copiers: \$2,000 - This account provides expenditures for the purchase of two computers identified by the Information Technology Department as due for replacement.

800.00 Interdepartmental Charges – Administrative: \$51,500 - This account provides expenditures for administrative and management services provided by the departments of the Mayor & City Council, City Clerk, City Attorney and the administrative office of the City Manager.

801.01 Interdepartmental Charges – Human Resources: \$22,760 - This account provides expenditures for human resource services provided by the Human Resources Division.

802.00 Interdepartmental Charges - Finance: \$124,110 - This account provides expenditures for financial, accounting, payroll, accounts payable, billing, customer service and budgeting services provided by the Finance Department.

803.01 Interdepartmental Charges – Information Technology: \$53,850 - This account provides expenditures for information technology services provided by the Information Technology Department.

804.01 Interdepartmental Charges – Engineering: \$112,000 - This account provides expenditures for engineering services provided by the Public Works Department-Engineering Division.

825.01 Interdepartmental Charges – Insurance: \$55,450 - This account provides expenditures for risk management services and claims.

850.04 Interdepartmental Charges - Building Rent: \$32,856 - This account provides expenditures for the cost of office space at the KPU Administration Building.

931.01 Debt Service-Principal: \$501,394 - This account provides expenditures for principal on revenue bonds and ADEC drinking water loans.

932.01 Debt Service-Interest: \$106,352 - This account provides expenditures for interest on revenue bonds and ADEC drinking water loans.

975.00 Payment in Lieu of Taxes: \$197,649 - This account provides expenditures for payments in lieu of taxes assessed against the enterprise funds of the City.

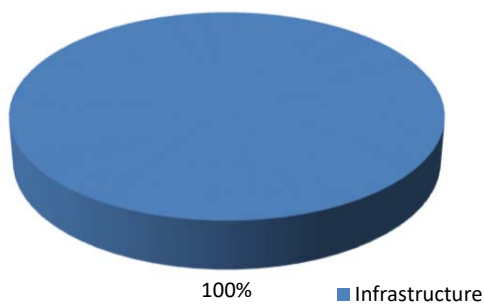
KETCHIKAN PUBLIC UTILITIES
2021 Operating and Capital Budget
Water Division

Capital Budget

Major Capital Outlay	2019	2020 Budget			2021	2020 Adopted/2021	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
720.00 Vehicles and Moving Equipment	31,100	-	-	-	-	-	0.0%
730.00 Infrastructure	852,426	9,356,070	9,456,070	960,693	8,745,377	(610,693)	-6.5%
Total Major Capital Outlay	883,526	9,356,070	9,456,070	960,693	8,745,377	(610,693)	-6.5%

Capital Improvement Projects		Funding Sources			
Project #	Project	KPU	Grants	Bonds	Total
		Enterprise Fund			
730.00 Infrastructure					
	Filtration Facility - Preliminary Prep Tasks	386,700	-	-	386,700
	Schoenbar Water Mains (Charter School - Middle School)		-	7,092,499	7,092,499
	Water Meters - Business & Commercial Customers		-	756,178	756,178
	Federal Act - Risk & Resilience Assessment	150,000		-	150,000
	SCADA PLC Controllers	260,000		-	260,000
	Water Distribution Grid Improvements	30,000	-	-	30,000
	Additional Projects	40,000	-	-	40,000
	Water Service Upgrade Program	15,000	-	-	15,000
	Backflow Prevention Program	15,000	-	-	15,000
	Total Infrastructure	896,700	-	7,848,677	8,745,377
	Total Capital Budget	896,700	-	7,848,677	8,745,377

Expenditures by Type



Expenditures by Funding Source

