

**KETCHIKAN PUBLIC UTILITIES
2020 ANNUAL BUDGET**

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CITY OF KETCHIKAN, ALASKA

RESOLUTION NO. 19-2757

A RESOLUTION ADOPTING THE BUDGET FOR THE YEAR 2020 APPROPRIATING FROM THE KETCHIKAN PUBLIC UTILITIES ENTERPRISE FUND FOR THE FISCAL YEAR 2020; 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 2020, entitled KETCHIKAN PUBLIC UTILITIES 2020 OPERATING, is hereby adopted.

Section 2: The sum of \$77,137,011 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, 2020:

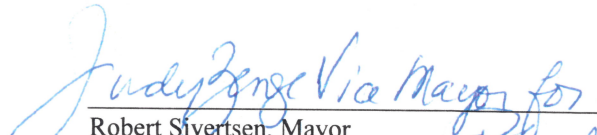
<u>Item of Appropriation</u>	<u>Total</u>
General Manager	\$ 373,662
Sales, Marketing & Customer Service	3,143,401
Electric	22,851,593
Telephone	30,206,400
Water	13,290,958
Transfer to KPU Facilities and Infrastructure Replacement Fund	250,000
Appropriated Reserves	7,020,997
Total Appropriations	<u>\$ 77,137,011</u>

Section 3: The sum of \$1,000,000 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 Alaska for the fiscal year beginning January 1, 2020:

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

Section 4: This resolution shall be effective upon its passage and approval.

PASSED AND APPROVED by a duly constituted quorum of the City Council for the City of Ketchikan on this 19th day of December, 2019.


Robert Sivertsen, Mayor

ATTEST:


Kim Stanker, City Clerk



November 7, 2019

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 2020 Operating and Capital Budget (the “2020 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, 2019. At least one public hearing on the proposed budget is required prior to adoption of the final spending plan.

INTRODUCTION

The 2020 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 2020 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
2009	7,365	158,147	7,558	3,246
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

The growth in electric customers continues to average less than 1% annually since 2009. The demand for energy is trending upward but continues to fluctuate annually. In 2017, a new record of 175,448 mWh was set. 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. Over the same period, the number of telecommunication access lines declined on average by about 3.92% annually. Competition from GCI and wireless phones such as AT&T has 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 been minimal. This is primarily due to the limited availability of property for development within boundaries of the City. 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 2020. 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.

2009 - 2018
Audited

Year	Total	Electric	Telecom	Water
2009	(749,346)	(383,128)	282,283	(648,501)
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)

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 to reduce the operating deficit of the water utility. Unfortunately, progress has been lacking over the past three years despite rate increases that have been approved by the City Council. During this period, the water utility has been forced to bear the 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.

- 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 costs through the rates it charges their customers. Only the water utility is able to cover all of its operating costs and a portion of its capital costs through rates. The electric utility requires a contribution of \$854,089 from reserves to cover its operating costs and the telecommunications utility requires \$54,009 from reserves. The electric and water utilities are unable to pay for any 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 especially attractive 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 the revenues are not sufficient, rates must be increased.

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 Conservation. 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 and will most likely require a substantial investment on the part of the KPU and its ratepayers. In addition, the annual cost of operating the water filtration plant is estimated at \$2 million. The City of Ketchikan, the owner of KPU, will most likely seek federal and state grants to finance the filtration plant but it is highly unlikely that the entire project will be financed from grants. The City Council and KPU management need to begin efforts to plan for this facility in the event that ADEC issues an order requiring its construction.

Diesel Generation: The recent drought in Southeast Alaska reinforced the need to have reliable sources of generation for the customers of the electric utility and that the community cannot always rely upon the hydroelectric generation facilities of KPU and the Southeast Alaska Power Agency to meet the demand for customer energy. It is nearly impossible to manage the unpredictable weather that occurs in Southeast Alaska. During the most recent drought, we learned that diesel generation is a very important component of the electric utility's strategy to meet local demand for energy. We also learned that our current diesel generation facilities are

showing their age and have become unreliable and are not able to meet demand during a severe and 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% would cost about \$1,665,000 and would require an 11% 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.

IBEW Pension Contributions: The base employer contribution rate for the employees covered by the KPU IBEW Collective Bargaining Agreement has essentially remained unchanged for a number of years with one exception. Employees covered by the collective bargaining agreement are permitted to elect, as a group, to move "money" from wages to pension contributions. This typically takes place immediately after a cost of living adjustment has been implemented. A portion of the cost of living adjustment is reduced by a fixed amount and the employer pension contribution is increased by the exact amount of the reduction of the cost of living adjustment. The IBEW contends that the employer pension contribution rate has not been keeping up with inflation and they have asked the City to reopen the current collective bargaining agreement to address this issue. Since the issue was recently raised, no decision has been made regarding its resolution and nothing has been programmed in the 2020 Budget to provide for changes to the employer contribution rate.

SIGNIFICANT BUDGET ASSUMPTIONS

In order to present a complete spending plan for 2020, 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 remained the same as 2019 except that the custodian position under the General Manager's budget was eliminated in favor of contracting for janitorial services. Step increases have been programmed for all employees except for those employees whose compensation is tied to the journeyman lineman rate. A 2% cost of living adjustment has been programmed for all represented and non-represented employees. The cost of living adjustment will become effective January 1, 2020.

- Certain employee benefit costs have been programmed to increase. Health insurance premiums are expected to rise by 10%. 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 by the implementation of the compensation plan update, cost of living adjustments and step increases and assumes that the State of Alaska will not raise the current PERS employer contribution rate of 22 percent.
- The 3.5% electric rate increase that was approved by the City Council in 2019 was not implemented as planned. Shortly after the rate increase was adopted, the City Council put a hold on the increase because an unusual drought affecting Southeast Alaska required the electric utility to operate its diesel generators for extended periods in order to meet customer demand for electricity. To recover its cost of diesel generation, the electric utility had to assess a substantial diesel surcharge. The diesel surcharge peaked at \$0.0647 per kWh in August 2019 and has been projected to decrease to \$0.0258 per kWh by January 2020. The rate increase of 3.5% has been programmed to become effective on January 1, 2020.
- The cost of power purchased from the Southeast Alaska Power Agency has been programmed to remain at the current rate of 6.8 cents per kWh.
- There will not be a purchased power rebate from the Southeast Alaska Power Agency in 2019 or 2020.
- Liability and property insurance premiums have been programmed to increase by 10%. The City's liability and property insurance policies expire on July 1 and, therefore, the renewals overlap the City's calendar fiscal year. In July 2019, total premiums increased by 32% and are projected to increase in July 2020 by about 10%. The increases are due to poor claims experience in the property, casualty and liability markets. The cost of construction and materials is having an impact on replacement values. KPU 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 City's calendar fiscal year. Premiums for workers compensation insurance decreased by 14% on July 1, 2019 but are expected to remain flat for the July 1, 2020 renewal. It is also important to note that 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 instead of a decrease.
- Annual debt service has been programmed to increase. In the spring of 2020, KPU is planning to issue an \$11.5 million bond to finance an undersea fiber cable between

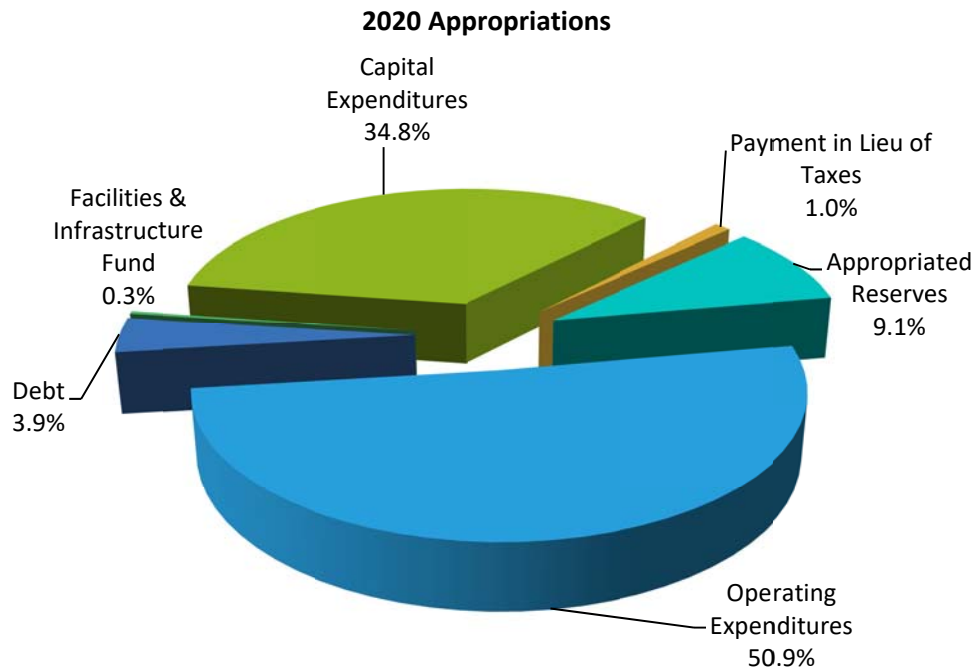
Ketchikan and Prince Rupert, BC, Canada. The annual debt service on this new bond will be approximately \$846,000.

The Proposed 2020 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 2020 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 2020 ANNUAL OPERATING AND CAPITAL BUDGET

The 2020 Budget includes all operating and support divisions of KPU. The total amount requested for appropriations is \$77.14 million, an increase of \$15.05 million from the amount appropriated with the adoption of the 2019 Budget. The key components of total appropriations for 2020 and a comparison with 2019 appropriations are as follows:

	2019 Budget	2019 Estimate	2020 Budget
Operating Expenditures	\$ 38,409,969	\$ 42,699,445	\$ 39,212,779
Debt Service	2,601,701	2,170,882	3,022,995
Payment in Lieu of Taxes	786,000	786,000	845,600
Total Cost of Operations	41,797,670	45,656,327	43,081,374
Facilities & Infrastructure Fund	250,000	250,000	250,000
Capital Expenditures	14,096,613	4,408,187	26,768,570
Total Expenditures	56,144,283	50,314,514	70,099,944
Appropriated Reserves	5,947,555	14,467,834	7,037,067
Total Appropriation	<u>\$ 62,091,838</u>	<u>\$ 64,782,348</u>	<u>\$ 77,137,011</u>
 Number of Employees	 <u>115.50</u>	 <u>115.50</u>	 <u>114.50</u>



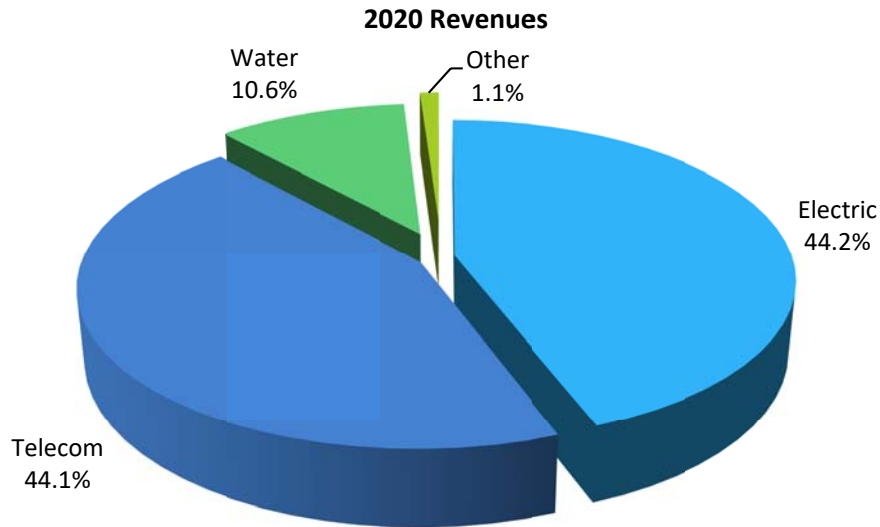
The balance of this overview will include a discussion and analysis of the following areas: (1) revenues; (2) expenditures; (3) personnel; (4) debt management; and (5) compliance with City Council mandated financial objectives.

For additional summary information regarding the proposed spending plan for 2020, please refer to the "C" pages in the budget document.

REVENUES

Operating revenues for utility services in the amount of \$42.62 million have been programmed for 2020. The table below identifies the major revenue sources by operating utility.

	2018 Actual	2019 Budget	2019 Estimate	2020 Budget
Electric	\$ 20,544,783	\$ 19,256,000	\$ 24,544,091	\$ 18,836,900
Telecommunications	20,955,575	18,738,000	19,599,000	18,819,000
Water	4,179,475	4,428,000	4,247,972	4,508,100
Other	333,922	458,000	505,000	451,000
Total	<u>\$ 46,013,755</u>	<u>\$ 42,880,000</u>	<u>\$ 48,896,063</u>	<u>\$ 42,615,000</u>



Electric Revenues: The projection for 2020 electric utility revenues is based on a two-year average of energy sales and the current average electric revenues per kWh, adjusted for new loads and other trends such as conversions from heating fuel to electric heat. There are four variables that can significantly affect the revenue projections. The first is weather. Cold temperatures and high winds increase the demand for electric energy. Another variable is the general state of the economy. A strong economy usually generates a strong demand for energy. A weak economy has the opposite effect. A third variable is the price of heating oil, which has caused some residents to switch from heating their homes with fuel to electricity. The final variable is rate increases. The 3.5% rate increase that was approved for 2019 but not implemented because of the diesel surcharge has been programmed to become effective January 1, 2020. The table below summarizes the major operating revenues of the Electric Division.

	2018 Actual	2019 Budget	2019 Estimate	2020 Budget
Residential	\$ 7,650,908	\$ 8,030,400	\$ 7,520,100	\$ 7,876,000
Harbor	332,985	361,200	326,200	344,200
Business	7,188,265	7,587,500	7,132,400	7,392,300
Industrial	1,901,001	1,996,000	1,916,300	1,957,600
Yard Lights	59,148	61,000	59,100	61,100
Demand	527,719	543,400	537,400	552,500
Street Lights	131,478	135,500	131,900	131,700
Energy Sales	17,791,504	18,715,000	17,623,400	18,315,400
Diesel Surcharge	2,206,307		6,340,829	
Other	546,972	541,000	579,862	521,500
Total	<u>\$ 20,544,783</u>	<u>\$ 19,256,000</u>	<u>\$ 24,544,091</u>	<u>\$ 18,836,900</u>

In 2018, the electric utility sold 167,834 mWh of energy. The record of 175,448 mWh was set in 2017. The estimate for 2019 is 166,121 mWh and the projection for 2020 is 167,978 mWh. The revenue forecast for 2020 is based on a two-year average of consumption. Electric revenue projections are very sensitive to weather conditions and conservation measures taken by the customers of the utility. For example, colder weather increases consumption and warmer weather reduces consumption. This occurred in 2017 when cooler weather than average caused a significant increase in consumption. In 2019 and 2020, the diesel surcharge, which reached record highs in 2019, is most likely contributing to conservation efforts that are lowering the demand for electricity in 2019 and 2020.

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

	2018 Actual	2019 Budget	2019 Estimate	2020 Budget
Local Network Services	\$ 2,021,128	\$ 1,880,000	\$ 2,011,000	\$ 1,892,000
Network Access Services	8,871,848	8,149,000	8,678,000	8,348,000
IP Network - DSL and IPTV	5,251,009	5,233,000	5,414,000	5,132,000
4G/LTE	4,360,913	3,056,000	3,073,000	3,072,000
Directory Revenue	245,053	231,000	222,000	205,000
Miscellaneous	205,624	189,000	201,000	170,000
Total	<u>\$ 20,955,575</u>	<u>\$ 18,738,000</u>	<u>\$ 19,599,000</u>	<u>\$ 18,819,000</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 revenues from local network services is the result of continuing competition from GCI and wireless providers for local customers. In 2019, the decline in revenues from local network work services was somewhat offset by a modest increase in revenues from local special circuits. Local special circuit revenue has been programmed to decrease in 2020,

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.

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. No rate increases for IP product lines have been programmed for 2020.

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 customers using the utility's 4G/LTE networks servicing the Ketchikan and Skagway markets continued to expand in 2019 and similar growth is projected for 2020. Rapid growth in these markets is being fueled in part by the significant growth in cruise ship passenger traffic that has taken place over the last two years and is expected to continue. Although the growth in traffic is a positive development, a new agreement reached with Verizon Wireless in 2019 has modified the model under which KPU will be compensated for the use of its network by Verizon customers. Under the new agreement the role traffic plays in determining the amount of compensation paid to the telecommunications will be different than under the previous agreement.

Water Revenues: The operating revenues of the Water Division have been projected to increase by \$80,100 over the amount budgeted for 2019. This due to the 5.5% rate increase that became effective on April 1, 2019. Revenues earned during the first three months of 2020 will be at new rates. The 2019 estimate fell short of the 2019 Budget. This was due to the City's decision to suspend water sales to the Port during the drought of 2019. This cost the water utility almost \$200,000 in water sales. The expectation is that the water utility will be able to resume water sales to the Port in 2020. The table that follows summarizes the major operating revenues of the Water Division.

	2018 Actual	2019 Budget	2019 Estimate	2020 Budget
Residential	\$ 1,736,472	\$ 1,824,300	\$ 1,833,800	\$ 1,857,900
Apartment	373,428	391,500	394,000	399,200
Business	1,382,874	1,448,000	1,455,600	1,474,800
Industrial	94,196	100,000	100,200	101,500
Seafood Processors	251,061	333,000	331,000	354,100
Port	192,195	188,000	1,900	188,000
Raw Fish Tax	95,315	93,000	76,272	77,000
Miscellaneous	53,934	50,200	55,200	55,600
Total	<u>\$ 4,179,475</u>	<u>\$ 4,428,000</u>	<u>\$ 4,247,972</u>	<u>\$ 4,508,100</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 2018, the City received a payment of \$414,413 from the State of Alaska. In 2019, the annual payment decreased to \$331,617. 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

\$43.08 million have been programmed for 2020, an increase of \$1.28 million over the amount appropriated with the adoption of the 2019 Budget. The table below identifies the major operating expenses by division.

	2019 Budget	2019 Estimate	2020 Budget
General Manager	\$ 398,577	\$ 393,490	\$ 373,662
Sales, Marketing & Customer Service	2,830,773	2,788,950	3,143,401
Electric	18,363,418	23,575,111	18,912,373
Telecommunications	16,441,627	15,022,238	16,729,980
Water	3,763,275	3,876,538	3,921,958
Total	<u>\$ 41,797,670</u>	<u>\$ 45,656,327</u>	<u>\$ 43,081,374</u>

The largest increase in operating expenses is occurring within the electric utility. The cost of operating this division is projected to increase by \$548,955, or 3.0%. About \$257,391 of the increase is due the rising cost of personnel services. A 2% cost of living adjustment, step increases and the implementation of the 2019 compensation plan update are the reasons for this increase. Travel and training costs and interdepartmental charges are projected to increase by \$70,000 and \$93,000, respectively.

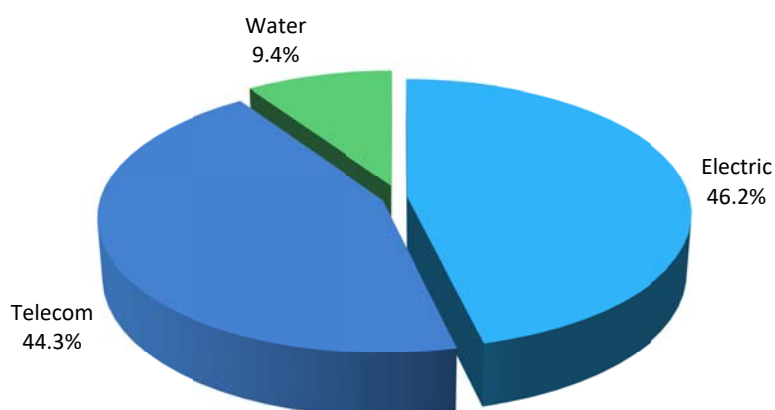
The telecommunications utility is projecting a small increase in operating costs of about \$288,353. The costs for supplies and materials have been programmed to decrease by \$302,705 and the costs for personnel and interdepartmental charges have been programmed to increase by \$155,500 due to cost of living adjustments and changes to the compensation plan that were implemented in 2019. The most significant increase in cost is the addition of \$415,370 for the annual debt service on the bond that will be issued in 2020 to finance the construction of the undersea fiber cable project.

The water utility is projecting an increase of about \$158,683 in operating costs due primarily to rising personnel costs and interdepartmental charges.

The Sales, Marketing and Customer Service Division operating expenses are programmed to increase by \$312,628, or 11% over 2019. About 78.8% of the increase is due to the increased cost of personnel. Most of the increase can be attributable to the implementation of the 2019 compensation plan update.

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.

2020 Operating Expenses by Utility

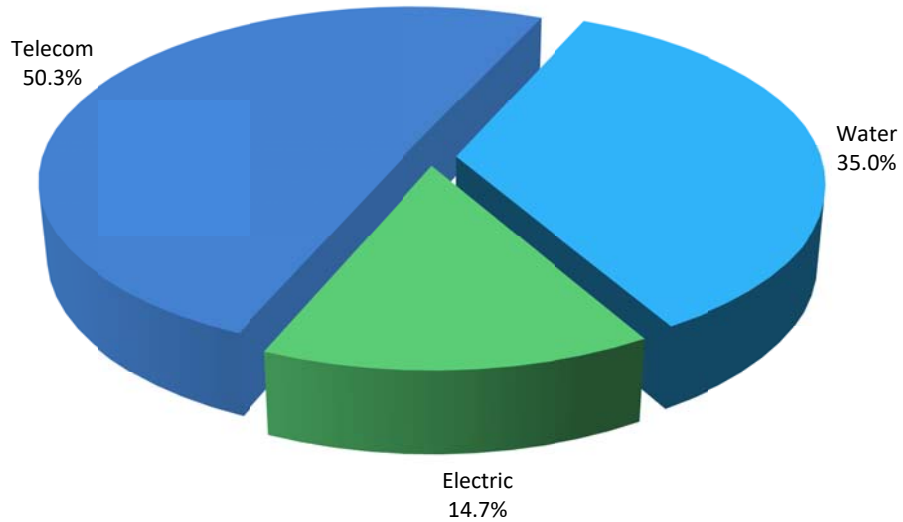


CAPITAL EXPENDITURES

The amount of capital appropriations requested for 2020 is \$26.77 million. The table below identifies the major capital expenses by utility.

	2019 Budget	2019 Estimate	2020 Budget
Electric	\$ 3,620,542	\$ 1,973,967	\$ 3,937,500
Telecommunications	7,377,000	2,009,540	13,475,000
Water	3,099,071	424,680	9,356,070
Total	<u>\$14,096,613</u>	<u>\$ 4,408,187</u>	<u>\$26,768,570</u>

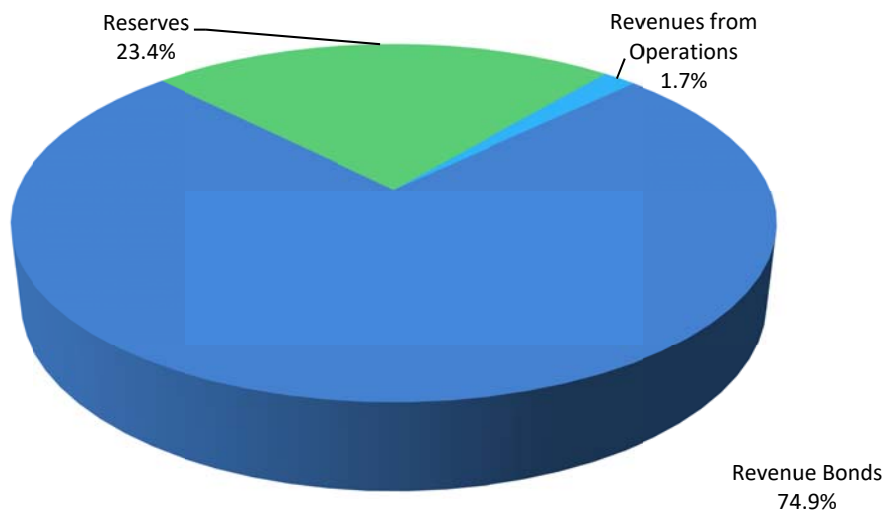
2020 Capital Expenses by Utility



Funding for the proposed capital budget is as follows:

	Amount	Percentage
Revenues from Operations	\$ 441,723	2%
Bonds	20,054,177	75%
Reserves	6,272,670	23%
	<u>\$ 26,768,570</u>	<u>100%</u>

Sources of Funding for 2020 Capital Expenses



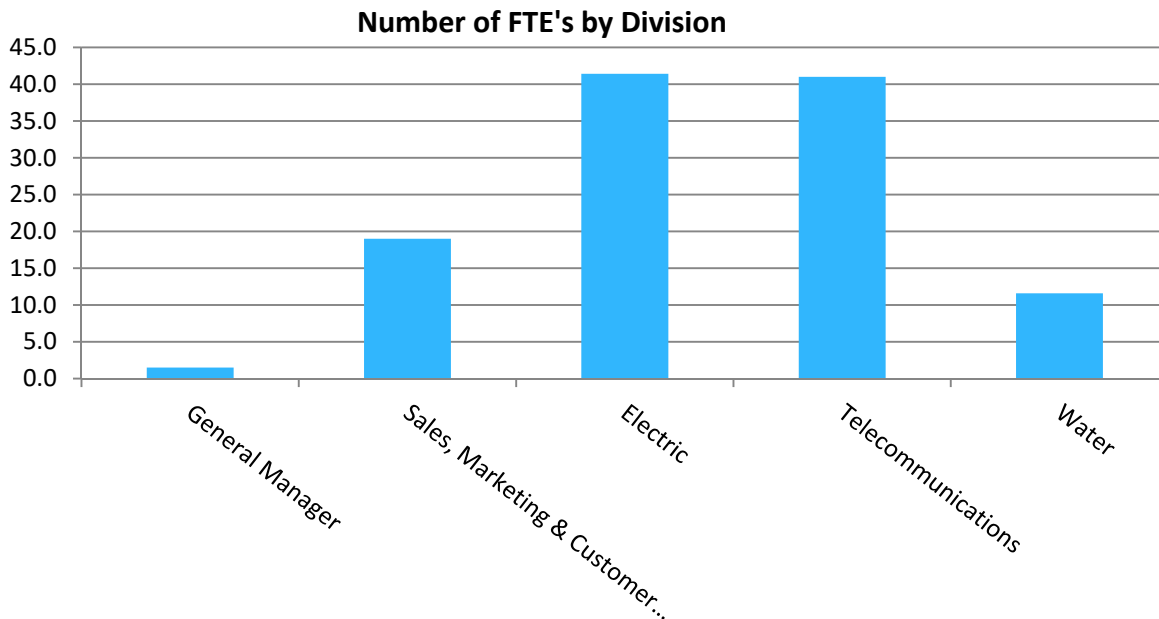
Please see the proposed KPU 2020 - 2024 Capital Improvement Program for information about the projects planned for 2020.

PERSONNEL

The proposed 2020 KPU Budget includes funding for 114.50 full-time equivalent employees (FTE). Staffing has been reduced by 1 FTE due to the elimination of the custodial position in the General Manager's Budget. The custodial services will be contracted out.

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.

	2019 Budget	2019 Estimate	2020 Budget
Salaries and Wages - Regular Employees	\$ 9,545,191	\$ 8,978,180	\$ 9,940,138
Salaries and Wages - Temporary Employees	145,100	95,130	115,000
Overtime	670,000	854,110	735,000
Payroll Taxes	793,340	754,540	825,460
Pension	1,767,090	1,609,170	1,798,680
Health and Life Insurance	2,731,510	2,523,290	2,819,190
Workers Compensation	292,585	267,600	222,950
Other Benefits	207,850	194,090	206,650
Allowances	47,240	91,719	139,240
Total	<u>\$ 16,199,906</u>	<u>\$ 15,367,829</u>	<u>\$ 16,802,308</u>
 Number of Employees (FTE)	 <u>115.50</u>	 <u>115.50</u>	 <u>114.50</u>



The total cost of personnel is projected to increase by \$602,402 to \$16.80 million. Regular salaries and wages are projected to increase by \$394,947 to \$9.94 million as a result of step increases for employees whose compensation is not tied to the journeyman lineman pay scale, a 2.0% cost of living adjustment for represented and non-represented employees, and the implementation of the 2019 compensation plan update. Approximately 82.1% of KPU's workforce is covered by a collective bargaining agreement and 17.9% of the workforce is not represented.

Health insurance costs for 2020 are projected to increase by \$87,680 over what was budgeted for in 2019. The premium increases for 2019 did not materialize, which resulted in a lower cost for 2019 than projected. Vacancies also contributed to lower health insurance cost in 2019. Health insurance premiums have been projected to rise by 10% in 2020. The estimate provided for 2020 assumes no vacancies and no changes in coverage.

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, cost of living adjustments and the implementation of the 2019 compensation plan upgrade.

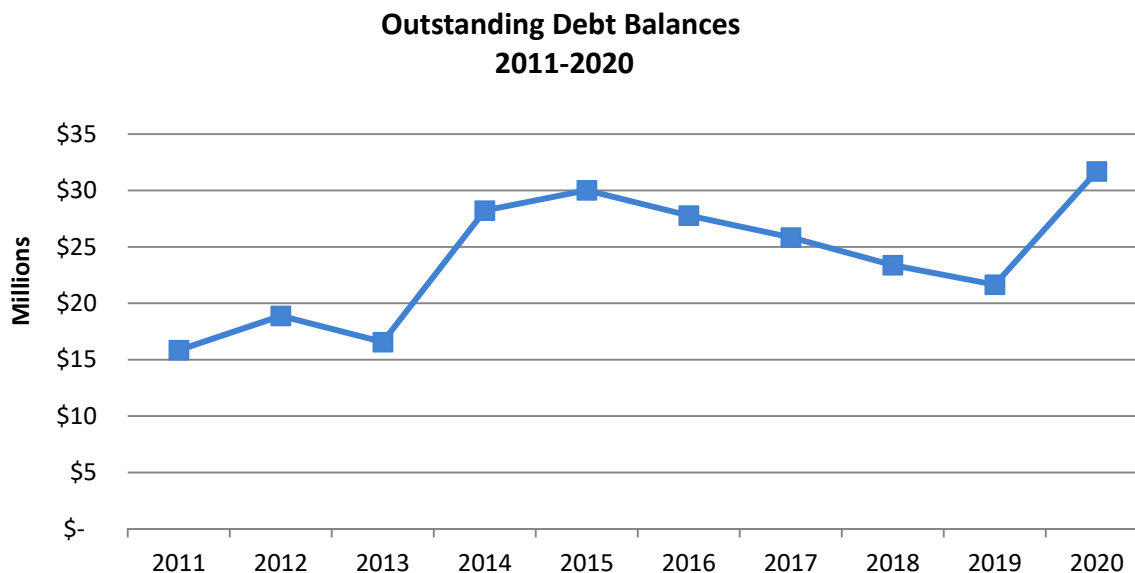
DEBT

In 2020, KPU will have outstanding ten revenue bond issues and one interfund loan totaling \$31.70 million. The table below summarizes KPU's bond issues that will be outstanding on January 1, 2020 and the debt service requirements for 2020.

Issue	Balance	Final Maturity	Type	Debt Service		
	Outstanding January 1, 2020			2019 Budget	2019 Estimate	2020 Budget
ADEC 481021	1,216,785	2032	Revenue	\$ 107,118	\$ 107,118	\$ 107,118
ADEC 481051	4,195,402	2032	Revenue	333,357	333,357	333,357
ADEC 481061	887,813	2032	Revenue	70,544	70,544	70,544
ADEC 481091	78,405	2033	Revenue	6,230	6,230	6,230
ADEC 481121	184,564	2033	Revenue	14,666	14,666	14,666
ADEC 481141	554,357	2035	Revenue	39,100	39,100	39,100
ADEC 481041	591,452	2037	Revenue	30,908	30,908	36,731
Series W - CREB	240,000	2022	Revenue	82,400	82,400	81,800
Series X - Whitman	10,720,000	2032	Revenue	1,060,350	1,060,340	1,061,050
Series Y - Telecom *	11,500,000	2038	Revenue	430,820	-	846,190
Interfund Loan	1,529,566	2019	Interfund	426,209	426,209	426,209
Total	<u>\$ 31,698,344</u>			<u>\$ 2,601,702</u>	<u>\$ 2,170,872</u>	<u>\$ 3,022,995</u>

* 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 2020, KPU anticipates issuing an \$11.5 million municipal utility revenue bond to finance the construction of an undersea fiber cable between Ketchikan, Alaska and Prince Rupert, BC, Canada. The term of the bond is 20 years and will carry an estimated interest rate of 4%. Annual debt service payments are estimated at \$846,190. The proceeds of the bond issue will include \$1,500,000 to finance a bond reserve account, bond issuance costs and a contingency.

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 1.71. Please see page C-5 for more information regarding KPU's projected debt service coverage.

Total annual debt service in the amount of \$3,022,995 has been programmed in the 2020 Budget. On January 1, 2020, the total debt service required to maturity, including interest of \$10,585,722, will be \$42,284,066. Please see pages C-6 and C-7 for more information regarding KPU debt.

COMPLIANCE WITH CITY COUNCIL MANDATED FINANCIAL OBJECTIVES

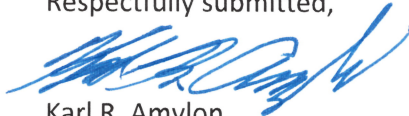
Resolution No. 90-1645, adopted by the City Council in 1990, established certain financial objectives for KPU. In 2013, the Council adopted a new fund balance policy that superseded the fund balance policy contained in Resolution No. 90-1645. The new policy requires KPU to maintain a reserve requirement 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 2020 is **not** in compliance. The required fund balance is \$10.01 million and the projected fund balance is \$8.04 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 2020 is 1.13 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

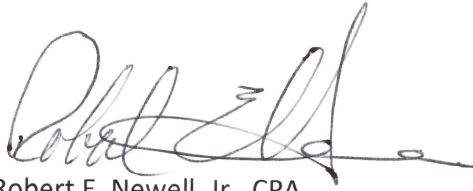
The 2020 Budget allows for the continuation of basic utility services. Staff believes that this document provides the community and the City Council with the opportunity to begin the process of confronting the challenges that lie ahead for KPU in 2020. Over the next few weeks, staff looks forward to 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.

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 2020 Operating and Capital Budget. Special thanks go to Assistant City Manager/KPU General Manager Lacey Simpson, Financial Analyst Camille Nelson, Executive Assistant Diane Walker, 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 2020.)

KETCHIKAN PUBLIC UTILITIES
2020 Operating and Capital Budget
Revenues and Appropriation Summary

	2019			2020
	Adopted	Amended	Estimate	Budget
KPU Enterprise Fund				
Funds Available, January 1	11,359,838	11,359,838	15,624,683	14,467,834
Revenues:				
Electric	19,256,000	25,596,829	24,544,091	18,836,900
Telecommunications	23,748,000	23,748,000	19,599,000	30,319,000
Water	7,270,000	7,270,000	4,509,574	13,062,277
Other	458,000	458,000	505,000	451,000
Total Revenues	50,732,000	57,072,829	49,157,665	62,669,177
Appropriations:				
Administration	398,577	420,457	393,490	373,662
Sales, Marketing & Customer Service	2,830,773	2,881,573	2,788,950	3,143,401
Electric	21,983,960	28,328,659	25,549,078	22,851,593
Telecommunications	23,818,627	23,946,333	17,031,778	30,206,400
Water	6,862,346	7,009,326	4,301,218	13,290,958
Transfer to Facilities & Infrastructure Replacement Fund	250,000	250,000	250,000	250,000
Total Appropriations	56,144,283	62,836,348	50,314,514	70,116,014
Funds Available, December 31	5,947,555	5,596,319	14,467,834	7,020,997

	2019			2020
	Adopted	Amended	Estimate	Budget
KPU Facilities & Infrastructure Replacement Fund				
Funds Available, January 1	500,000	500,000	500,000	750,000
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	750,000	750,000	750,000	1,000,000

KETCHIKAN PUBLIC UTILITIES
2020 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	328,562	2,196,422	6,519,156	6,037,220	1,720,948	16,802,308
Supplies	5,540	100,750	7,978,000	853,300	328,855	9,266,445
Contract/Purchased Services	13,225	797,019	1,424,625	7,207,745	560,390	10,003,004
Minor Capital Outlay	22,025	27,400	52,500	21,500	5,700	129,125
Interdepartmental Charges	4,310	21,810	1,386,030	1,117,190	498,627	3,027,967
Operating Costs Before PILOT and Debt Service	373,662	3,143,401	17,360,311	15,236,955	3,114,520	39,228,849
Payment in Lieu of Taxes			410,932	222,046	212,622	845,600
Operating Costs Before Debt Service	373,662	3,143,401	17,771,243	15,459,001	3,327,142	40,074,449
Debt Service			1,142,850	1,272,399	607,746	3,022,995
Operating Costs Before Allocation of Overhead	373,662	3,143,401	18,914,093	16,731,400	3,934,888	43,097,444
Allocation of Overhead to Operating Utilities:						
General Manager	(373,662)		186,831	168,148	18,683	-
Sales, Marketing & Customer Service		(3,143,401)	817,284	2,200,381	125,736	-
Total Operating Costs	-	-	19,918,209	19,099,929	4,079,307	43,097,444
Major Capital Outlay			3,937,500	13,475,000	9,356,070	26,768,570
Total Expenditures	-	-	23,855,709	32,574,929	13,435,377	69,866,014
Transfer to KPU Facilities and Infrastructure Fund						250,000
Total Appropriations						70,116,014

KETCHIKAN PUBLIC UTILITIES
2020 Operating and Capital Budget
Number of Employees Comparative Schedule

Division	2017 Actual	2018 Actual	2019			2020 Budget	2020 Adopted/2019	
			Adopted	Amended	Estimate		Incr(Decr)	%
5100 GENERAL MANAGER	2.50	2.50	2.50	2.50	2.50	1.50	(1.00)	-40.0%
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	7.00	9.00	9.00	9.00	9.00	-	0.0%
Swan Lake	4.00	4.00	4.00	4.00	2.00	0.00	(4.00)	-100.0%
TOTAL ELECTRIC	43.40	43.40	45.40	45.40	43.40	41.40		
Less Personnel Allocated to Swan Lake	(4.00)	(4.00)	(4.00)	(4.00)	(2.00)	-	4.00	-100.0%
NET ELECTRIC	39.40	39.40	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	3.00	3.00	3.00	4.00	1.00	33.3%
Plant Specific Operations	26.00	26.00	26.00	26.00	26.00	25.00	(1.00)	-3.8%
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	10.60	10.93	11.60	11.60	11.60	11.60	-	0.0%
TOTAL KPU EMPLOYEES	116.50	116.83	119.50	119.50	117.50	114.50	(5.00)	-4.2%
Less Personnel Allocated to Swan Lake	(4.00)	(4.00)	(4.00)	(4.00)	(2.00)	-	4.00	-100.0%
NET KPU EMPLOYEES	112.50	112.83	115.50	115.50	115.50	114.50	(1.00)	-0.9%

KETCHIKAN PUBLIC UTILITIES
2020 Operating and Capital Budget
Summary of Funding by Operating Utility

	Total	Operating Revenues	Grants	Bonds/ Loans	Other	Reserves
Electric:						
Operating Costs	18,364,427	18,364,427	-	-	-	-
Debt Service	1,142,850	472,473	-	-	225,500	444,877
Payment in Lieu of Taxes	410,932	-	-	-	-	410,932
Major Capital Outlay	3,937,500	-	-	-	-	3,937,500
Total	23,855,709	18,836,900	-	-	225,500	4,793,309
Telecommunications:						
Operating Costs	17,605,484	17,605,484	-	-	-	-
Debt Service	1,272,399	1,213,516	-	-	58,883	-
Payment in Lieu of Taxes	222,046	-	-	-	166,617	55,429
Major Capital Outlay	13,475,000	-	-	11,500,000	-	1,975,000
Total	32,574,929	18,819,000	-	11,500,000	225,500	2,030,429
Water:						
Operating Costs	3,258,939	3,258,939	-	-	-	-
Debt Service	607,746	607,746	-	-	-	-
Payment in Lieu of Taxes	212,622	212,622	-	-	-	-
Major Capital Outlay	9,356,070	428,793	-	8,554,177	-	373,100
Total	13,435,377	4,508,100	-	8,554,177	-	373,100
Facilities & Infrastructure Replacement	250,000	-	-	-	-	250,000
Total	70,116,014	42,164,000	-	20,054,177	451,000	7,446,838

KETCHIKAN PUBLIC UTILITIES**2020 Operating and Capital Budget****Compliance With Fund Balance Policy, Resolution No. 90-1645 and KPU Bond Covenants**

Description	Amount
Operating Revenues:	
Electric	18,836,900
Telecommunications	18,819,000
Water	4,508,100
Other	451,000
Total Operating Revenues	42,615,000
Operating Costs:	
Personnel Services and Benefits	16,802,308
Supplies	9,266,445
Contract/Purchased Services	10,003,004
Minor Capital Outlay	129,125
Interdepartmental Charges	3,027,967
Payment in Lieu of Taxes	845,600
Total Operating Costs	40,074,449
Net Revenue	2,540,551
Add Back Payment in Lieu of Taxes	845,600
Net Revenue Available for Debt Service	3,386,151
A. Compliance with Fund Balance Policy:	
Total Operating Costs	40,074,449
Reserve Requirement at 25 Percent of Total Operating Costs	10,018,612
Estimated Reserves, December 31, 2020	8,020,997
Over (Under) Reserve Requirement	(1,997,615)
B. Compliance with the Debt Service Coverage Requirements of Resolution No. 90-1645:	
Net Revenue Available for Debt Service	3,386,151
Debt Service	3,022,995
Debt Service Coverage (Required Debt Service Coverage: 1.50 - 2.0)	1.12
C. Compliance with the Debt Service Coverage Requirements of KPU's Bond Covenants:	
Net Revenue Available for Debt Service	3,386,151
Debt Service	3,022,995
Less Debt Not Subject to Bond Covenants	(1,033,955)
Debt Service Coverage (Required Debt Service Coverage: 1.25)	1.70

KETCHIKAN PUBLIC UTILITIES
2020 Operating and Capital Budget
Annual Debt Service By Utility

C-6

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	1,800	81,800	100.00%	81,800	-	-	-	-	100.00%	81,800
ADEC #481021	89,199	17,919	107,118	-	-	-	-	100.00%	107,118	100.00%	107,118
ADEC #481061	57,441	13,103	70,544	-	-	-	-	100.00%	70,544	100.00%	70,544
ADEC #481051	271,439	61,918	333,357	-	-	-	-	100.00%	333,357	100.00%	333,357
ADEC #481091	5,073	1,157	6,230	-	-	-	-	100.00%	6,230	100.00%	6,230
ADEC #481121	11,941	2,725	14,666	-	-	-	-	100.00%	14,666	100.00%	14,666
ADEC #481141	30,900	8,200	39,100	-	-	-	-	100.00%	39,100	100.00%	39,100
ADEC - 481041	27,963	8,768	36,731	-	-	-	-	100.00%	36,731	100.00%	36,731
Series X - Whitman	560,000	501,050	1,061,050	100.00%	1,061,050	-	-	-	-	-	1,061,050
Series Y - Subsea Fiber Cable	616,190	230,000	846,190	-	-	100.00%	846,190	-	-	-	846,190
	1,750,146	846,640	2,596,786	-	1,142,850	-	846,190	-	607,746	-	2,596,786
Other Debt:											
Advances from Other Funds	365,026	61,183	426,209	-	-	100.00%	426,209	0.00%	-	100.00%	426,209
Total	2,115,172	907,823	3,022,995	-	1,142,850	-	1,272,399	-	607,746	-	3,022,995

KETCHIKAN PUBLIC UTILITIES
2020 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
2020	81,800	107,118	70,544	333,357	6,230	14,666	39,100	1,061,050	36,731	426,209	846,190	3,022,995
2021	81,200	107,118	70,544	333,357	6,230	14,666	39,100	1,058,250	36,731	426,209	846,190	3,019,595
2022	80,600	107,118	70,544	333,357	6,230	14,666	39,100	1,059,550	36,731	426,209	846,190	3,020,295
2023		107,118	70,544	333,357	6,230	14,666	39,100	1,059,850	36,731	405,704	846,190	2,919,490
2024		107,118	70,544	333,357	6,230	14,666	39,100	1,060,750	36,731		846,190	2,514,686
2025		107,118	70,544	333,357	6,230	14,666	39,100	1,061,875	36,731		846,190	2,515,811
2026		107,118	70,544	333,357	6,230	14,666	39,100	1,061,250	36,731		846,190	2,515,186
2027		107,118	70,544	333,357	6,230	14,666	39,100	1,058,875	36,731		846,190	2,512,811
2028		107,118	70,544	333,357	6,230	14,666	39,100	1,059,625	36,731		846,190	2,513,561
2029		107,118	70,544	333,357	6,230	14,666	39,100	1,058,375	36,731		846,190	2,512,311
2030		107,118	70,544	333,357	6,230	14,666	39,100	1,060,000	36,731		846,190	2,513,936
2031		107,118	70,544	333,357	6,230	14,666	39,100	1,059,375	36,731		846,190	2,513,311
2032		53,563	70,544	333,357	6,230	14,666	39,100	1,061,375	36,731		846,190	2,461,756
2033			70,544	333,357	6,230	14,666	39,100	1,060,875	36,731		846,190	2,407,693
2034							39,100		36,731		846,190	922,021
2035							39,100		36,731		846,190	922,021
2036									36,731		846,190	882,921
2037									36,731		846,190	882,921
2038									18,365		846,190	864,555
2039											846,190	846,190
	243,600	1,338,979	987,616	4,666,998	87,220	205,324	625,600	14,841,075	679,523	1,684,331	16,923,800	42,284,066

KETCHIKAN PUBLIC UTILITIES
2020 Operating and Capital Budget
Revenue Summary by Utility

Electric Revenues	2018	2019			2020	2019 Adopted/2020	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operating Revenue							
Residential	7,650,908	8,030,400	8,030,400	7,520,100	7,876,000	(154,400)	-1.9%
Harbor	332,985	361,200	361,200	326,200	344,200	(17,000)	-4.7%
Business	7,188,265	7,587,500	7,587,500	7,132,400	7,392,300	(195,200)	-2.6%
Industrial	1,901,001	1,996,000	1,996,000	1,916,300	1,957,600	(38,400)	-1.9%
Yard Lights	59,148	61,000	61,000	59,100	61,100	100	0.2%
Large Commercial Demand	329,039	337,400	337,400	338,000	345,900	8,500	2.5%
City Street Lights	131,478	135,500	135,500	131,900	131,700	(3,800)	-2.8%
Industrial Demand	198,680	206,000	206,000	199,400	206,600	600	0.3%
Diesel Fuel Surcharge	2,206,307	-	6,340,829	6,340,829	-	-	NA
Total Operating Revenue	19,997,811	18,715,000	25,055,829	23,964,229	18,315,400	(399,600)	-2.1%
Other Operating Revenue							
Service Charges	111,821	115,000	115,000	115,000	115,000	-	0.0%
Penalty	91,747	92,000	92,000	106,000	100,000	8,000	8.7%
Pole Rentals - External	62,060	62,000	62,000	62,000	69,000	7,000	11.3%
Pole Rentals - Interdepartmental	138,062	138,000	138,000	138,100	153,500	15,500	11.2%
Reimbursable Projects	9,346	125,000	125,000	15,000	75,000	(50,000)	-40.0%
Hydro Incentive Program	110,591	-	-	134,762	-	-	NA
Other Revenue	23,345	9,000	9,000	9,000	9,000	-	0.0%
Total Other Operating Revenue	546,972	541,000	541,000	579,862	521,500	(19,500)	-3.6%
Total Operating Revenue	20,544,783	19,256,000	25,596,829	24,544,091	18,836,900	(419,100)	-2.2%
Nonoperating Revenue							
Grants	-	-	-	-	-	-	NA
Total Nonoperating Revenue	-	-	-	-	-	-	NA
Total Electric Revenue	20,544,783	19,256,000	25,596,829	24,544,091	18,836,900	(419,100)	-2.2%

KETCHIKAN PUBLIC UTILITIES
2020 Operating and Capital Budget
Revenue Summary by Utility

Telecommunications Revenues	2018	2019			2020	2019 Adopted/2020	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Local Network Services							
Business & Residential	948,078	885,000	885,000	903,000	875,000	(10,000)	-1.1%
Local Special Circuits	933,641	863,000	863,000	970,000	890,000	27,000	3.1%
Other Local Revenue	139,409	132,000	132,000	138,000	127,000	(5,000)	-3.8%
Total Local Revenue	2,021,128	1,880,000	1,880,000	2,011,000	1,892,000	12,000	0.6%
Network Access Services							
Interstate Flat Rate End User	785,181	622,000	622,000	645,000	607,000	(15,000)	-2.4%
Interstate Access Charges	4,995,108	4,783,000	4,783,000	4,997,000	4,818,000	35,000	0.7%
Interstate Special Access Charges	1,675,216	1,648,000	1,648,000	1,694,000	1,620,000	(28,000)	-1.7%
Intrastate Access Charges	1,416,343	1,096,000	1,096,000	1,342,000	1,303,000	207,000	18.9%
Total Network Access Services Revenue	8,871,848	8,149,000	8,149,000	8,678,000	8,348,000	199,000	2.4%
Miscellaneous							
Directory Revenue	245,053	231,000	231,000	222,000	205,000	(26,000)	-11.3%
Miscellaneous Revenue	65,194	68,000	68,000	58,000	51,000	(17,000)	-25.0%
Total Miscellaneous Revenue	310,247	299,000	299,000	280,000	256,000	(43,000)	-14.4%
Nonregulated & Other Revenue							
Customer Premise Eq Sales/Service	20,716	23,000	23,000	23,000	19,000	(4,000)	-17.4%
Payphone Revenue	3,962	-	-	-	-	-	0.0%
Long Distance Revenue	83,051	79,000	79,000	81,000	79,000	-	0.0%
IP Network	5,251,009	5,233,000	5,233,000	5,414,000	5,132,000	(101,000)	-1.9%
4G LTE	4,360,913	3,056,000	3,056,000	3,073,000	3,072,000	16,000	0.5%
Miscellaneous	32,701	19,000	19,000	39,000	21,000	2,000	10.5%
Total Nonregulated & Other Revenue	9,752,352	8,410,000	8,410,000	8,630,000	8,323,000	(87,000)	-1.0%
Total Operating Revenues	20,955,575	18,738,000	18,738,000	19,599,000	18,819,000	81,000	0.4%
Nonoperating Revenue							
Bond Proceeds	-	5,010,000	5,010,000	-	11,500,000	6,490,000	129.5%
Total Nonoperating Revenue	-	5,010,000	5,010,000	-	11,500,000	6,490,000	0.0%
Total Telecommunications Revenue	20,955,575	23,748,000	23,748,000	19,599,000	30,319,000	6,571,000	27.7%

KETCHIKAN PUBLIC UTILITIES
2020 Operating and Capital Budget
Revenue Summary by Utility

Water Revenues	2018	2019			2020	2019 Adopted/2020	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operating Revenue							
Residential	1,736,472	1,824,300	1,824,300	1,833,800	1,857,900	33,600	1.8%
Apartment	373,428	391,500	391,500	394,000	399,200	7,700	2.0%
Business	1,382,874	1,448,000	1,448,000	1,455,600	1,474,800	26,800	1.9%
Industrial	94,196	100,000	100,000	100,200	101,500	1,500	1.5%
Seafood Processors	251,061	333,000	333,000	331,000	354,100	21,100	6.3%
Port	192,195	188,000	188,000	1,900	188,000	-	0.0%
Fire Hydrant	29,472	31,200	31,200	31,000	31,400	200	0.6%
Total Operating Revenue	4,059,698	4,316,000	4,316,000	4,147,500	4,406,900	90,900	2.1%
Other Operating Revenue							
Penalty	22,865	18,000	18,000	23,200	23,200	5,200	28.9%
Other Revenue	1,597	1,000	1,000	1,000	1,000	-	0.0%
Raw Fish Tax	95,315	93,000	93,000	76,272	77,000	(16,000)	-17.2%
Total Other Operating Rev	119,777	112,000	112,000	100,472	101,200	(10,800)	-9.6%
Total Operating Revenue	4,179,475	4,428,000	4,428,000	4,247,972	4,508,100	80,100	1.8%
Water Nonoperating Revenue							
Bond Proceeds	-	2,842,000	2,842,000	261,602	8,554,177	5,712,177	201.0%
Total Nonoperating Water Revenue	-	2,842,000	2,842,000	261,602	8,554,177	5,712,177	201.0%
Total Water Revenue	4,179,475	7,270,000	7,270,000	4,509,574	13,062,277	5,792,277	79.7%

KETCHIKAN PUBLIC UTILITIES
2020 Operating and Capital Budget
Revenue Summary by Utility

Other Revenues	2018	2019			2020	2019 Adopted/2020	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operating Revenue							
Interest Income	243,822	360,000	360,000	407,000	353,000	(7,000)	-1.9%
Gen Gov Billing and Collections	90,000	98,000	98,000	98,000	98,000	-	0.0%
Total Other Operating Revenue	333,822	458,000	458,000	505,000	451,000	(7,000)	-1.5%

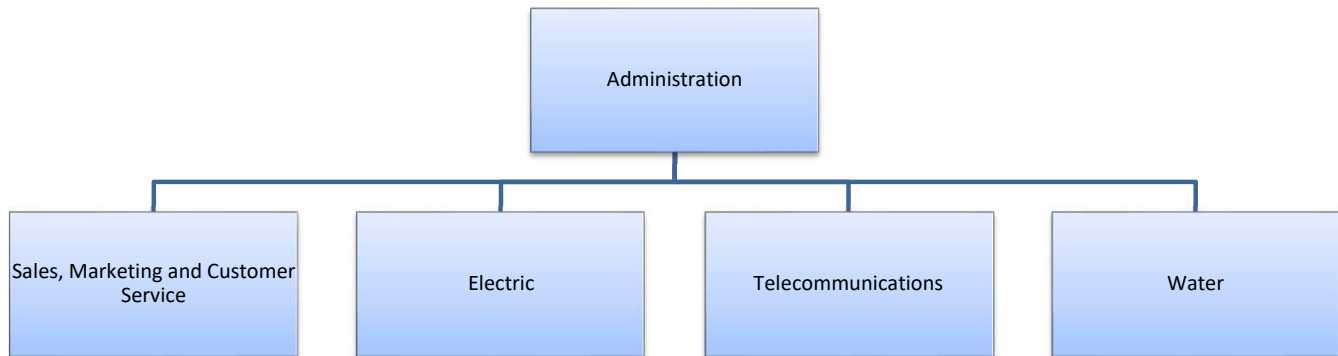
KETCHIKAN PUBLIC UTILITIES
2020 Operating and Capital Budget
Revenue Summary by Utility

All KPU Revenues	2018	2019			2020	2019 Adopted/2020	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operating Revenues							
Electric	20,544,783	19,256,000	25,596,829	24,544,091	18,836,900	(419,100)	-2.2%
Telecommunications	20,955,575	18,738,000	18,738,000	19,599,000	18,819,000	81,000	0.4%
Water	4,179,475	4,428,000	4,428,000	4,247,972	4,508,100	80,100	1.8%
Other	333,822	458,000	458,000	505,000	451,000	(7,000)	-1.5%
	46,013,655	42,880,000	49,220,829	48,896,063	42,615,000	(265,000)	-0.6%
Nonoperating Revenues							
Electric	-	-	-	-	-	-	NA
Telecommunications	-	5,010,000	5,010,000	-	11,500,000	6,490,000	NA
Water	-	2,842,000	2,842,000	261,602	8,554,177	5,712,177	New
Other	-	-	-	-	-	-	NA
	-	7,852,000	7,852,000	261,602	20,054,177	12,202,177	New
Total Revenue - All Divisions	46,013,655	50,732,000	57,072,829	49,157,665	62,669,177	11,937,177	23.5%

CITY OF KETCHIKAN
2020 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 \$70.10 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	2018	2019 Budget			2020	2019 Adopted/2020	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operations	346,281	378,577	400,457	393,490	353,662	(24,915)	-6.6%
Capital Improvement Program	1,749	20,000	20,000	-	20,000	-	0.0%
Total	348,030	398,577	420,457	393,490	373,662	(24,915)	-6.3%

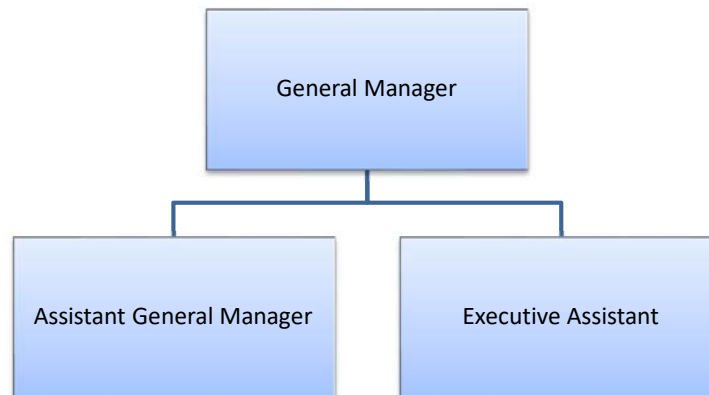
Expenditures by Category	2018	2019 Budget			2020	2019 Adopted/2020	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	326,901	356,722	376,252	371,090	328,562	(28,160)	-7.9%
Supplies	4,531	5,275	5,230	5,230	5,540	265	5.0%
Contract/Purchased Services	9,054	12,425	13,470	12,570	13,225	800	6.4%
Minor Capital Outlay	3,414	525	1,875	1,450	2,025	1,500	285.7%
Interdept'l Charges/Reimbursable Credits	2,381	3,630	3,630	3,150	4,310	680	18.7%
Major Capital Outlay	1,749	20,000	20,000	-	20,000	-	0.0%
Total	348,030	398,577	420,457	393,490	373,662	(24,915)	-6.3%

Funding Source	2018	2019 Budget			2020	2019 Adopted/2020	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	348,030	398,577	420,457	393,490	373,662	(24,915)	-6.3%
Total	348,030	398,577	420,457	393,490	373,662	(24,915)	-6.3%

Personnel	2018	2019 Budget		2020		2019 Adopted/2020	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
Administration	2.50	2.50	2.50	1.50	219,442	(1.00)	-40.0%
Total	2.50	2.50	2.50	1.50	219,442	(1.00)	-40.0%

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 2020

- 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 division managers, in order to move forward with City Council approved Capital Improvement Programs.
- In conjunction with the Human Resources Division, continue negotiations with the International Brotherhood of Electrical Workers, Local 1547 to address the issues of Journeyman Lineman retention and IBEW employer/employee retirement plan contribution rates within the current General Government and Ketchikan Public Utilities collective bargaining agreements.
- In conjunction with the Human Resources Division, begin 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 plan, fund and undertake a modernization program for the diesel generators at the Bailey Power Plant. Evaluate need for additional capacity.
- Continue to work with Telecommunications Division management to plan, fund and construct an undersea fiber link from Ketchikan to Prince Rupert, British Columbia, in order to meet customer bandwidth demands.
- Work with Alaska Department of Environmental Conservation, in order to resolve ongoing issues associated with higher than permitted disinfection byproducts and excessive coliforms in the raw water supply. Ensure that the Utility meets all the terms and conditions of its Compliance Order by Consent.
- 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 2021 Ketchikan Public Utilities Operating and Capital Budget. Evaluate traditional service delivery in light of continued reductions to state programs and/or direct assistance to municipalities.

ACCOMPLISHMENTS FOR 2019

- Continued management oversight of General Government.
- Submitted the draft 2020 Ketchikan Public Utilities Operating and Capital Budget to the City Council for formal consideration and adoption.
- Served on the Board of Directors of the Southeast Alaska Power Agency.
- Concluded negotiations with Southeast Alaska Power Agency (SEAPA) to transfer operations and maintenance responsibilities of the Swan Lake Hydroelectric Project from Ketchikan Public Utilities to SEAPA. The formal transfer took place July 1, 2019.
- Worked with Telecommunications Division management to continue planning and permitting efforts for 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 begin the deployment of water meters for all commercial water and wastewater utility customers.
- Worked with the Sales, Marketing & Customer Service Division Manager to develop education campaigns in support 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.

CITY OF KETCHIKAN
2020 Operating and Capital Budget
General Manager

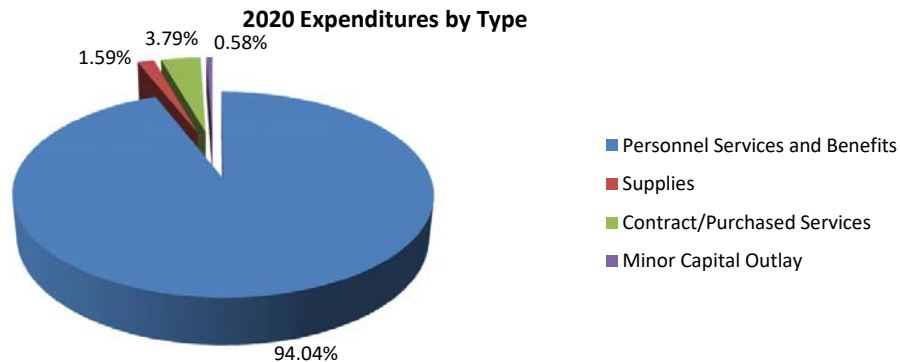
Administration 5100

DIVISION SUMMARY

Expenditures by Category	2018 Actual	2019 Budget			2020 Budget	2019 Adopted/2020	
		Adopted	Amended	Estimate		Incr(Decr)	%
Personnel Services and Benefits	326,901	356,722	376,252	371,090	328,562	(28,160)	-7.9%
Supplies	4,531	5,275	5,230	5,230	5,540	265	5.0%
Contract/Purchased Services	9,054	12,425	13,470	12,570	13,225	800	6.4%
Minor Capital Outlay	3,414	525	1,875	1,450	2,025	1,500	285.7%
Interdept' Charges/Reimbursable Credits	2,381	3,630	3,630	3,150	4,310	680	18.7%
Total Expenditures	346,281	378,577	400,457	393,490	353,662	(24,915)	-6.6%

Funding Source	2018 Actual	2019 Budget			2020 Budget	2019 Adopted/2020	
		Adopted	Amended	Estimate		Incr(Decr)	%
KPU Enterprise Fund	346,281	378,577	400,457	393,490	353,662	(24,915)	-6.6%
Total Funding	346,281	378,577	400,457	393,490	353,662	(24,915)	-6.6%

Personnel	2018 Actual	2019 Budget		2020		2019 Adopted/2020	
		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	73,245	-	0.0%
Executive Assistant	0.50	0.50	0.50	0.50	33,997	-	0.0%
Custodian	1.00	1.00	1.00	-	-	(1.00)	-100.0%
Total	2.50	2.50	2.50	1.50	219,442	(1.00)	-40.0%



OPERATING BUDGET CHANGES FOR 2020

Changes between the adopted operating budget for 2019 and the proposed operating budget for 2020 that are greater than 5% and \$5,000 are discussed below:

- Personnel Services and Benefits decreased by \$28,160, or by 7.9%, due to the elimination of the custodian position effective January 1, 2020, which was offset by a 12.5% salary increase that was provided to the General Manager in 2019 retroactive to January 1st; implementation of Ralph Andersen & Associates' update of the Compensation Plan effective October 1, 2019 for non-represented employees; annual employee step increases; a 2.0% cost of living adjustment for non-represented employees that will become effective January 1, 2020; and a projected ten percent increase in employee health insurance premiums that will become effective July 1, 2020.

CITY OF KETCHIKAN
2020 Operating and Capital Budget
General Manager

Administration 5100

Operating Expenditures		2018	2019 Budget			2020	2019 Adopted/2020	
		Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits								
500. 01	Regular Salaries and Wages	202,753	223,477	239,007	239,000	219,442	(4,035)	-1.8%
501. 01	Overtime Wages	334	2,000	2,000	810	2,000	-	0.0%
502. 01	Temporary Wages	601	2,000	2,000	670	2,000	-	0.0%
505. 00	Payroll Taxes	15,838	17,400	18,340	17,520	17,100	(300)	-1.7%
506. 00	Pension	43,977	47,640	50,330	50,040	48,280	640	1.3%
507. 00	Health and Life Insurance	50,250	57,140	57,140	55,800	34,900	(22,240)	-38.9%
507. 30	Workers Compensation	2,496	2,805	2,855	2,710	610	(2,195)	-78.3%
508. 00	Other Benefits	3,152	3,960	4,280	4,240	3,930	(30)	-0.8%
509. 07	Allowances-Moving Expense Taxed	7,500	-	-	-	-	-	NA
509. 10	Allowances-Add'l Life Benefit	-	300	300	300	300	-	0.0%
Personnel Services and Benefits		326,901	356,722	376,252	371,090	328,562	(28,160)	-7.9%
Supplies								
510. 01	Office Supplies	1,078	750	750	750	750	-	0.0%
510. 04	Janitorial Supplies	2,737	2,500	2,500	2,500	2,500	-	0.0%
515. 01	Vehicle Maintenance Materials	300	300	300	300	400	100	33.3%
520. 02	Postage	43	100	100	100	100	-	0.0%
525. 04	Motor Vehicle Fuel & Lubricants	255	625	625	625	625	-	0.0%
530. 02	Periodicals					165	165	New
535. 02	Business and Meal Expenses	118	1,000	955	955	1,000	-	0.0%
Supplies		4,531	5,275	5,230	5,230	5,540	265	5.0%
Contract/Purchased Services								
600. 01	Travel-Business	5,753	6,875	7,875	7,875	8,000	1,125	16.4%
605. 01	Advertising & Public Announcements	890	-	-			-	NA
605. 02	Marketing	-	250	250	250	250	-	0.0%
615. 01	Professional Licenses & Certifications	-	-	45	45		-	NA
615. 02	Assn Membership Fees & Dues	962	1,250	1,250	1,250	1,825	575	46.0%
630. 02	Vehicle Licenses	10	50	50	50	50	-	0.0%
635. 07	Machinery & Equip Maint Services	-	1,900	1,900	1,000	1,000	(900)	-47.4%
635. 12	Technical Services	-	100	100	100	100	-	0.0%
650. 01	Telecommunications	1,439	2,000	2,000	2,000	2,000	-	0.0%
Contract/Purchased Services		9,054	12,425	13,470	12,570	13,225	800	6.4%
Minor Capital Outlay								
790. 15	Furniture & Fixtures	2,134	525	525	100	1,275	750	142.9%
790. 26	Computers, Printers & Copiers	1,280	-	1,350	1,350	750	750	New
Minor Capital Outlay		3,414	525	1,875	1,450	2,025	1,500	285.7%
Interdepartmental Charges								
825. 01	Interdept'l Charges-Insurance	2,381	3,630	3,630	3,150	4,310	680	18.7%
Interdepartmental Charges		2,381	3,630	3,630	3,150	4,310	680	18.7%
Total Expenditures by Type		346,281	378,577	400,457	393,490	353,662	(24,915)	-6.6%

NARRATIVE

500.01 Regular Salaries and Wages: \$219,442 – 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: \$2,000 – 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: \$2,000 – 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: \$17,100 – This account provides expenditures for employer contributions to Social Security and Medicare and other similar payroll taxes.

506.00 Pension: \$48,280 – This account provides expenditures for employer contributions to retirement plans.

507.00 Health and Life Insurance: \$34,900 – This account provides expenditures for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation: \$610 – This account provides expenditures for employer contributions to workers compensation.

508.00 Other Benefits: \$3,930 – 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.

510.04 Janitorial Supplies: \$2,500 – This account provides expenditures for expenditures for cleaning and sanitation supplies used by in-house janitors.

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 expenditures that involve 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: \$8,000 – This account provides expenditures for the cost associated with the business travel by the General Manager and office staff.

605.02 Marketing: \$250 – This account provides expenditures for announcements in publications, newspapers, trade journals, internet or broadcast over radio and television.

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.

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.

790.15 Furniture & Fixtures: \$1,275 – This account provides expenditures for the cost of office equipment and furniture. Included in this account is one-half the cost of three new guest chairs for the General Manager's Office.

790.16 Computers, Printers & Copiers: \$750 - This account provides expenditures for one-half of the cost of a new iPad for the General Manager.

825.01 Interdepartmental Charges-Insurance: \$4,310 – This account provides expenditures for the cost for risk management services.

CITY OF KETCHIKAN
2020 Operating and Capital Budget
General Manager

Capital Budget

Major Capital Outlay	2018 Actual	2019 Budget			2020 Budget	2019 Adopted/2020	
		Adopted	Amended	Estimate		Incr(Decr)	%
735-00 Software	1,749	20,000	20,000	-	20,000	-	0.0%
Total Major Capital Outlay	1,749	20,000	20,000	-	20,000	-	0.0%

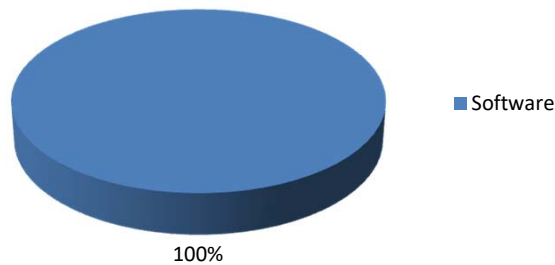
Capital Improvement Projects

Project #	Project	Funding Sources		Total
		KPU Enterprise Fund		

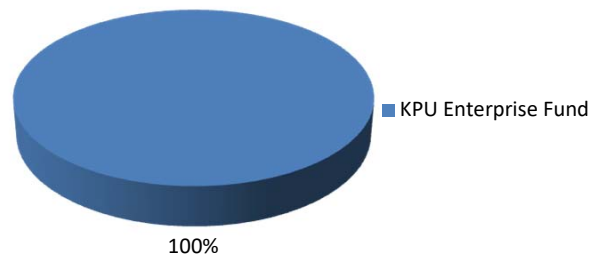
735-00 Software

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

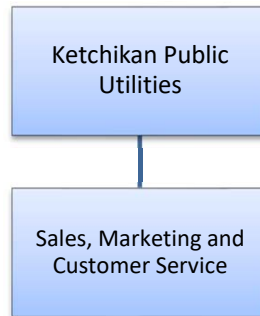


Expenditures by Funding Source



KETCHIKAN PUBLIC UTILITIES**2020 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	2018 Actual	2019 Budget			2020 Budget	2019 Adopted/2020	
		Adopted	Amended	Estimate		Incr(Decr)	%
Operations	2,544,151	2,830,773	2,881,573	2,788,950	3,143,401	312,628	11.0%
Total	2,544,151	2,830,773	2,881,573	2,788,950	3,143,401	312,628	11.0%

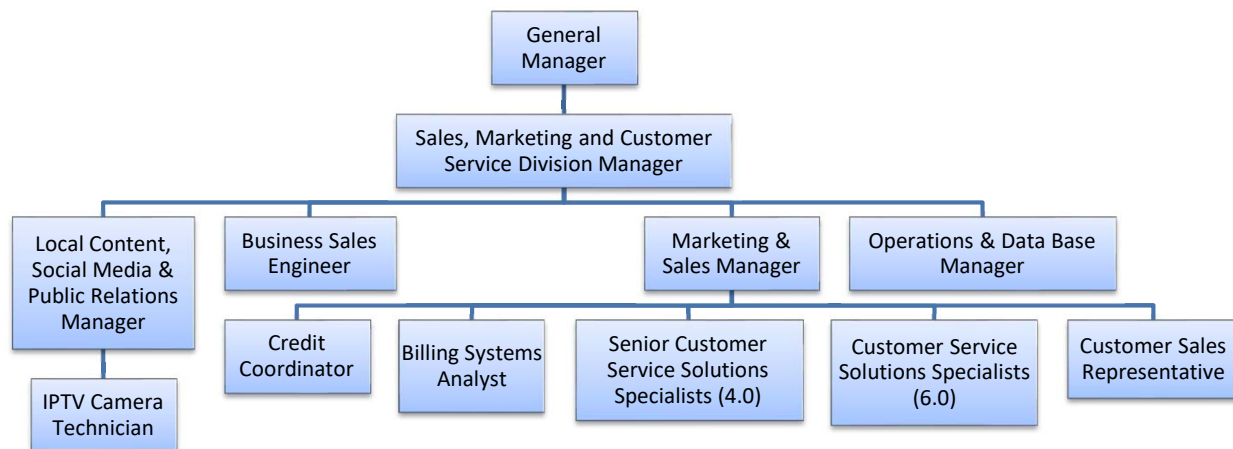
Expenditures by Category	2018 Actual	2019 Budget			2020 Budget	2019 Adopted/2020	
		Adopted	Amended	Estimate		Incr(Decr)	%
Personnel Services and Benefits	1,711,726	1,950,100	1,936,830	1,860,000	2,196,422	246,322	12.6%
Supplies	97,146	96,750	102,750	97,457	100,750	4,000	4.1%
Contract/Purchased Services	691,906	740,403	795,323	790,420	797,019	56,616	7.6%
Minor Capital Outlay	32,795	27,400	30,550	25,063	27,400	-	0.0%
Interdepartmental Charges-Insurance	10,578	16,120	16,120	16,010	21,810	5,690	35.3%
Total	2,544,151	2,830,773	2,881,573	2,788,950	3,143,401	312,628	11.0%

Funding Source	2018 Actual	2019 Budget			2020 Budget	2019 Adopted/2020	
		Adopted	Amended	Estimate		Incr(Decr)	%
KPU Enterprise Fund	2,544,151	2,830,773	2,881,573	2,788,950	3,143,401	312,628	11.0%
Total	2,544,151	2,830,773	2,881,573	2,788,950	3,143,401	312,628	11.0%

Full-time Equivalent Personnel	2018 Actual	2019 Budget		2020		2019 Adopted/2020	
		Adopted	Amended	Budget	Salary	Incr(Decr)	%
Operations	19.00	19.00	19.00	19.00	1,248,442	-	0.0%
Total	19.00	19.00	19.00	19.00	1,248,442	-	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 2020

- Achieve continued growth in all key residential and business product categories within Telecommunications, in addition to building and maintaining Verizon Wireless sales.
- Emphasize KPU's strengths through advertising: local support/management, flex TV, superior customer service, exclusive fiber optics, unlimited Internet, hosted business systems, wireless phones and superior network, residential managed WIFI. Expand advertising to include additional TV spots on competitor TV and web/social media. Target younger demographic with web advertising. Rotate ideas/messages and ensure that ideas stay fresh.
- Highlight KPU's strong and successful business offerings by emphasizing professional business staff/products in media, marketing materials and on the website. Maintain separate hosted business suite product campaign. Expand KPU's existing footprint in the Plaza Mall to allow for onsite demonstrations of business products.
- Market new features, such as mobile IP, hoteling, and other hosted products to new and existing Hosted IP customers.
- Expand KPUtv's product line to include multi-screen and Over the Top Video Services (MyTv) to continue to gain video customers.
- Continue to revamp and re-energize the KPU Telecommunications Division website through monthly updates and rotating banner ads.
- Continue enhancement of local TV content by establishing new programming focusing on local personalities, such as Elder Oral Histories, and expand local cooking programs to feature local ingredients, and to continue to produce features on local artists and craftsmen.

- 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 key marketing product to build KPU's local presence. Tie 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.
- Utilize Pivot 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 2019

- Successfully continued to sell Verizon branded cellular equipment and provided technical assistance to local Verizon customers as well as to seasonal visitors. Unit sales were lower than 2018, but this was expected due to the significantly higher price points of phones. Customers are now keeping phones for 4-6 years vs. the previous 2-3 years. Staff sold a minimum of one phone, per day, and upgraded and assisted a minimum of four customers per day, up to 20 customers per day.
- Year to date 2019, KPU has achieved growth in the following categories; +7% in Internet sales, and +47% in customers opting for unlimited data. The addition of standalone internet contributed to the significant growth in internet activations. This allowed KPU to both gain and retain customers who no longer wanted a phone line. These sustained sales are attributable to the Sales, Marketing and Customer Service Division's sales-oriented culture, the emphasis on customer service and the awareness and responsiveness of the division to customer wants and needs.
- Achieved a +10% 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 a 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 team was also able to successfully tie the school district door cameras to the hosted phone system so that school staff could unlock doors remotely through their phones. These products allow organizations and businesses to focus on running their business vs. managing their network. Customers have been added each month since the launch.
- 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 50 complex phone and local area circuit/network jobs for businesses in the community including one emergency phone system installations. They were all completed in a timely and accurate manner, without disruption of business.

- KPU Marketing staff successfully managed the media plan for the Electric Conservation campaign to educate the community in ways to conserve power in the current drought conditions. Public presentations were held, an Energy Conscious Business campaign was created; flyers, posters, mailers targeted to both business and residential were produced and distributed. The webpage was reworked to feature conservation and generation questions, outage information and alternative energy info, as well as the calculation of the diesel surcharge.
- Marketing staff designed and produced two Public Safety distracted driving videos that were featured on social media utilizing the 30 second radio ads that Marketing had produced. One covered texting while driving and the other the only 3 seconds it takes to get into a crash.
- KPU Sales and Marketing continued on a monthly basis to update the KPU Telecommunications website, www.kputel.com, to keep the site fresh. Search Engine Optimization was improved on the site, the mobile version of the site was improved and updated and ADA compliance was audited and corrected for the KPU site. Marketing also rewrote and restructured the Customer Service portion of the City website to provide more information about services and background as well as updated all associated links. Lastly, Marketing also funded the upgrade and improvement to the City online payment page.
- Video Production and PR Manager Alexandra Brown was honored by being presented with the Emerging Leader Award from the Chamber of Commerce in recognition of her many contributions and work in the Ketchikan community.
- KPUtv greatly improved the live stream of Kayhi sports, by building the Kayhi Protech program to include 3-5 camera people, a switch board, commentators and even graphics. By utilizing Verizon hotspots KPUtv was able to livestream even from Fawn Mountain field, which was previously impossible. Key to this was the mentoring and training of students by KPUtv staff.
- KPUtv engineered and developed their own mobile live streaming computer and camera equipment. This was used for livestreaming the multiple important community meetings on YouTube and/or Facebook in HD quality.
- KPUtv received a number of First Place honors nationally for its local video content. KPU received first place in Overall Excellence from ACM's Hometown Media Awards for the breadth of superior content KPU has filmed; First Place in Overall Excellence for Youth Production for a Kayhi produced piece that KPU sponsored, and two honorable mentions for a TV series talk show "Behind the Curtain," and honorable mention for the KPU Hometown TV ads. These were both from Best of the Northwest.
- KPUtv now has astounding 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 second Annual Ketchikan Film Festival. Over 1,700 entries were submitted; the top 14 produced by Alaskan artists were selected to be shown at a free public event. The selectees all had Ketchikan or Alaska themes. They ranged from animation to documentaries to music videos. The event was very well attended, at max capacity, and KPU was able to utilize some of the films on its local channel so the general public could see them, if they missed the event. Two of the top three winners were local Ketchikan artists/filmmakers.
- KPU Marketing vetted and identified a replacement company for the local Ketchikan Weather Channel. The winning vendor had a superior webcam integration, better wind and wave charts, and allows for more flexibility without being unaffordable.
- 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 other people 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.

- Marketing and Customer Service successfully launched the Telecom payment and bill portal (EBPP). This allows online payment of bills, recurring credit card, download of bills and email notification of bills. Letters were sent to customers notifying them of the changes, and many signed up immediately. This portal improves security and saves CSR time.
- 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.

- In June 2019 KPU Customer Service honored Credit Coordinator Debbie Cowan, for her 40 years of service. Debbie is the longest serving employee within the entire City and KPU. A public celebration and event was held for her as well as a private lunch. Media announcing her milestone included Facebook, and full page newspaper ads.
- Marketing created a comprehensive training program for new employees as a way to ease the difficult transition many have when learning the fifteen completely diverse systems that are used in the office. An on-boarding manual, as well as a several hundred page digital quick reference guide were developed. This has been helpful for not only new employees but for seasoned employees who need a refresher on processes that they do not do daily.
- KPU Marketing planned and executed marketing and public education initiatives for two important bond measures: Proposition 2, the KPU Telecom fiber optic extension to Prince Rupert and Proposition 3, and the emergency repairs to water distribution lines along Schoenbar Road. Marketing staff designed the imagery, updated the website(s) with Frequently Asked Questions, designed ads for the *Ketchikan Daily News*, *The Local Paper*, and wrote and recorded public service announcements for all local radio stations. In addition, informational postcards were sent to all City residents. Social media and Google pop-up ads were also used. All this extensive media fit within the proposed budget dollar amount. Both bond measures passed with a significant voter majority.
- KPU Marketing and CS staff began a series of Tech Talks for seniors at the Ketchikan Public Library. KPU staff educated older citizens about the cloud, streaming, and provided technical support for use of mobile devices. Due to the popularity of the first few talks, KPU plans to partner with the Library for quarterly help sessions.
- Customer Service & Billing Manager Mary Hopson retired effective January 1, 2019 after nearly 14 years of service with KPU. The Customer Service & Billing Manager position was reclassified as a Database Manager. Recruitment efforts began October 2019.

KETCHIKAN PUBLIC UTILITIES
2020 Operating and Capital Budget
Sales, Marketing and Customer Service

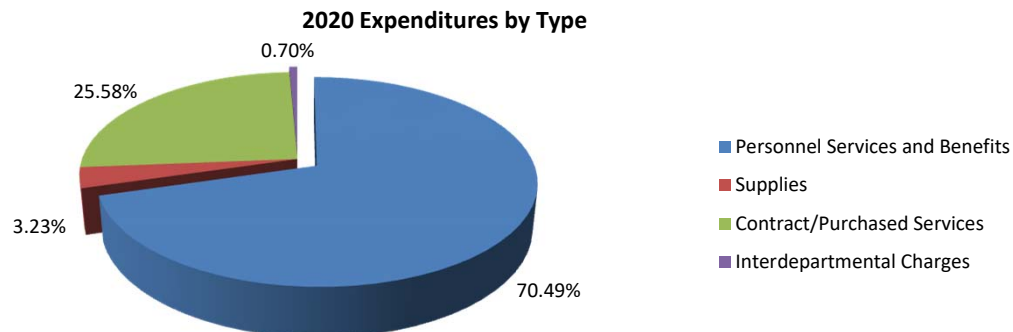
Operations 5110

DIVISION SUMMARY

Expenditures by Category	2018	2019 Budget			2020	2019 Adopted/2020	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	1,711,726	1,950,100	1,936,830	1,860,000	2,196,422	246,322	12.6%
Supplies	97,146	96,750	102,750	97,457	100,750	4,000	4.1%
Contract/Purchased Services	691,906	740,403	795,323	790,420	797,019	56,616	7.6%
Minor Capital Outlay	32,795	27,400	30,550	25,063	27,400	-	0.0%
Interdepartmental Charges	10,578	16,120	16,120	16,010	21,810	5,690	35.3%
Total Expenditures	2,544,151	2,830,773	2,881,573	2,788,950	3,143,401	312,628	11.0%

Funding Source	2018	2019 Budget			2020	2019 Adopted/2020	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	2,544,151	2,830,773	2,881,573	2,788,950	3,143,401	312,628	11.0%
Total Funding	2,544,151	2,830,773	2,881,573	2,788,950	3,143,401	312,628	11.0%

Full-time Equivalent Personnel	2018	2019 Budget		2020		2019 Adopted/2020	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
SM & CS Manager	1.00	1.00	1.00	1.00	124,497	-	0.0%
Business Sales Engineer	1.00	1.00	1.00	1.00	80,580	-	0.0%
Marketing & Sales Manager	1.00	1.00	1.00	1.00	81,819	-	0.0%
Local Content, Social Media & PR Manager	1.00	1.00	1.00	1.00	72,316	-	0.0%
Customer Service Manager	1.00	1.00	-	-	-	(1.00)	-100.0%
Database Manager	-	-	1.00	1.00	80,639	1.00	New
IPTV Camera Technician	1.00	1.00	1.00	1.00	70,405	-	0.0%
Credit Coordinator	1.00	1.00	1.00	1.00	70,360	-	0.0%
Billing System Analyst	1.00	1.00	1.00	1.00	67,952	-	0.0%
Senior Customer Solutions Specialist	4.00	4.00	4.00	4.00	236,324	-	0.0%
Customer Solutions Specialist	6.00	6.00	6.00	6.00	315,028	-	0.0%
Customer Sales Rep I	1.00	1.00	1.00	1.00	48,522	-	0.0%
Total	19.00	19.00	19.00	19.00	1,248,442	-	0.0%



OPERATING BUDGET CHANGES FOR 2020

Changes between the adopted operating budget for 2019 and the proposed operating budget for 2020 that are greater than 5% and \$5,000 are discussed below.

- Personnel Services and Benefits increased by \$246,322 or by 12.6%, due to annual employee step increases; a 2% cost of living adjustment for represented and non-represented employees that will become effective January 1, 2020; the implementation of the 2019 compensation plan update; an increase in overtime use and temporary wages; and a 10% projected increase in employee health insurance premiums.
- Bank and Merchant Charges (Account No. 630.03) increased by \$50,000, or by 25.6%, due more customers using credit cards to pay their utility bills. Since 2013, sales transactions paid by credit cards have increased by 150%. In addition, the payment card companies, such as VISA and MasterCard, have also raised their fees.
- Furniture and Fixtures (Account No. 790.15) decreased by (\$8,000), or -76.9%, due to completion of the door and framing for the electronic storage area and the finalized purchase of stand-up desks. The budget for 2020 will be for wooden shelving in the document storage area.
- Machinery and Equipment (Account No. 790.25) increased by \$8,000, or 88.9% due to the need to purchase an additional Sony Video camera and case for filming local content.
- Interdepartmental - Insurance (Account No. 825.01) increased by \$5,690, or by 35.3%. 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			2018	2019 Budget			2020	2019 Adopted/2020	
			Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits									
500	.01	Regular Salaries and Wages	949,322	1,080,720	1,060,220	1,023,960	1,248,442	167,722	15.5%
501	.01	Overtime Wages	29,919	28,000	42,900	42,900	45,000	17,000	60.7%
502	.01	Temporary Wages	15,290	20,600	26,200	26,200	28,500	7,900	38.3%
505	.00	Payroll Taxes	78,130	86,390	86,390	82,700	101,130	14,740	17.1%
506	.00	Pension	211,548	255,640	242,370	218,870	248,630	(7,010)	-2.7%
507	.00	Health and Life Insurance	389,654	426,330	426,330	418,720	469,550	43,220	10.1%
507	.30	Workers Compensation	4,027	4,150	4,150	3,780	3,580	(570)	-13.7%
508	.00	Other Benefits	12,042	19,270	19,270	18,270	22,590	3,320	17.2%
509	.09	Incentive Pay	21,794	28,000	28,000	24,000	28,000	-	0.0%
509	.12	Allowances-Vehicles	-	1,000	1,000	600	1,000	-	0.0%
Personnel Services and Benefits			1,711,726	1,950,100	1,936,830	1,860,000	2,196,422	246,322	12.6%

KETCHIKAN PUBLIC UTILITIES
2020 Operating and Capital Budget
Sales, Marketing and Customer Service

Operations 5110

Operating Expenditures		2018	2019 Budget			2020	2019 Adopted/2020	
		Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Supplies								
510	.01 Office Supplies	21,857	17,000	21,000	21,000	21,000	4,000	23.5%
510	.02 Operating Supplies	9,338	10,000	10,000	8,000	9,000	(1,000)	-10.0%
510	.03 Safety Program Supplies	-	200	200	-	200	-	0.0%
510	.04 Janitorial Supplies	998	1,200	1,200	1,100	1,200	-	0.0%
510	.07 Food & Catering	92	-	1,000	975	-	-	NA
515	.01 Vehicle Maintenance Materials	25	1,000	1,000	655	1,000	-	0.0%
520	.01 Express Postage	-	250	250	120	250	-	0.0%
520	.02 Postage	1,775	3,000	3,000	2,757	3,000	-	0.0%
520	.03 Bulk Mailing	56,006	59,000	59,000	57,000	59,000	-	0.0%
520	.04 Materials & Supplies	1,603	-	-	-	-	-	NA
525	.04 Vehicle Motor Fuel & Lubricants	322	500	500	410	500	-	0.0%
530	.02 Periodicals	-	300	300	300	300	-	0.0%
530	.03 Professional & Technical Publications	155	300	300	240	300	-	0.0%
535	.02 Allowances-Business and Meal Expense	2,220	1,000	2,000	2,000	2,000	1,000	100.0%
535	.04 Allowances-Uniforms/Clothing/Badges	2,755	3,000	3,000	2,900	3,000	-	0.0%
	Supplies	97,146	96,750	102,750	97,457	100,750	4,000	4.1%
Contract/Purchased Services								
600	.01 Travel-Business	9,728	13,000	13,000	12,750	13,000	-	0.0%
600	.02 Travel-Training	3,089	4,000	4,000	3,689	7,500	3,500	87.5%
600	.03 Travel-Training and Education	17,216	15,000	15,000	14,720	15,000	-	0.0%
605	.01 Ads & Public Announcements	3,984	1,500	1,500	1,265	1,500	-	0.0%
605	.02 Marketing	163,157	176,000	176,000	176,000	176,000	-	0.0%
605	.03 Printing and Binding	15,339	15,000	15,000	15,000	15,000	-	0.0%
610	.01 Community Promotion	4,970	6,000	8,000	8,000	6,000	-	0.0%
615	.02 Assn. Membership Dues & Fees	1,018	1,400	1,520	1,519	1,400	-	0.0%
630	.01 Building & Operating Permits	225	-	-	-	-	-	NA
630	.02 Vehicle Licenses	10	20	20	-	20	-	0.0%
630	.03 Bank and Merchant Charges	193,944	195,000	245,000	245,000	245,000	50,000	25.6%
630	.04 Broadcast Content Fees	2,565	2,600	2,600	2,565	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	580	-	-	-	-	-	NA
635	.07 Machinery & Equipment Maint Services	1,546	2,600	2,600	2,312	2,600	-	0.0%
635	.12 Technical Services	22,166	35,900	35,900	34,900	35,900	-	0.0%
635	.14 Other Contractual Services	1,702	6,000	6,000	6,000	6,000	-	0.0%
640	.04 Management & Consulting Services	99,745	111,200	111,200	111,200	111,200	-	0.0%
645	.01 Rents and Leases-Land & Buildings	101,816	105,283	105,283	103,000	105,283	-	0.0%
645	.02 Rents and Leases-Machinery & Equip	225	700	700	500	700	-	0.0%
650	.01 Telecommunications	35,631	36,000	38,000	38,000	38,316	2,316	6.4%
650	.02 Electric, Water, Sewer & Solid Waste	6,050	6,000	6,800	6,800	6,800	800	13.3%
	Contract/Purchased Services	691,906	740,403	795,323	790,420	797,019	56,616	7.6%
Minor Capital Outlay								
790	.15 Furniture and Fixtures	9,966	10,400	10,400	5,000	2,400	(8,000)	-76.9%
790	.25 Machinery & Equipment	16,434	9,000	10,100	10,076	17,000	8,000	88.9%
790	.26 Computers, Printers & Copiers	5,661	7,500	9,550	9,537	7,500	-	0.0%
790	.35 Software	734	500	500	450	500	-	0.0%
	Minor Capital Outlay	32,795	27,400	30,550	25,063	27,400	-	0.0%

KETCHIKAN PUBLIC UTILITIES
2020 Operating and Capital Budget
Sales, Marketing and Customer Service

Operations 5110

Operating Expenditures	2018	2019 Budget			2020	2019 Adopted/2020	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Interdepartmental Charges							
825 .01 Interdepartmental Charges-Insurance	10,578	16,120	16,120	16,010	21,810	5,690	35.3%
Interdepartmental Charges	10,578	16,120	16,120	16,010	21,810	5,690	35.3%
Total Expenditures by Type	2,544,151	2,830,773	2,881,573	2,788,950	3,143,401	312,628	11.0%

NARRATIVE

500.01 Regular Salaries and Wages: \$1,248,442 – 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: \$45,000 - 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: \$101,130 – This account provides expenditures for employer contributions for Social Security and Medicare and other similar payroll related taxes.

506.00 Pension: \$248,630– This account provides expenditures for employer contributions to retirement plans.

507.00 Health and Life Insurance: \$469,550 – This account provides expenditures for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation: \$3,580– This account provides expenditures for employer contributions to workers compensation.

508.00 Other Benefits: \$22,590 – 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: \$28,000 - This account provides expenditures for employee incentive and suggestion programs. Specifically this refers to the Upgrade Sales Incentive Program for CSRs I, II and III 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: \$1,000 – 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: \$21,000 - 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

2020 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.

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: \$1,200 – This account provides expenditures for cleaning and sanitation supplies used by in-house and contracted janitors.

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.

520.01 Express Postage: \$250 - This account provides expenditures for express delivery postal services.

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: \$59,000 - 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.

530.03 Professional and Technical Publications: \$300 - This account provides expenditures for professional and technical publications. Included are professional handbooks, print and electronic subscription services for Sales, Marketing & Customer Service.

535.02 Business and Meals Expense: \$2,000 – 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: \$3,000 - 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 CSRs I, II and III. Also includes logo embroidery for other items such as hats, aprons, etc.

600.01 Travel-Business: \$13,000 – This account provides expenditures for transportation, lodging, meals, per diems and other incidental expenses associated with travel for business, trade and board 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 CommSoft Annual training for the Billing Analyst and the systems/database manager.

600.03 Training and Education: \$15,000 – 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.

KETCHIKAN PUBLIC UTILITIES

2020 Operating and Capital Budget

Sales, Marketing and Customer Service

Operations 5110

605.02 Marketing and Advertising: \$176,000 - 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: \$15,000 – 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.

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: \$245,000 – 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: \$35,900 - 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.

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

640.04 Management and Consulting Services: \$111,200 - 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).

645.01 Rents and Leases - Land and Buildings: \$105,283 - 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: \$700 - 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: \$38,316 - 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.

KETCHIKAN PUBLIC UTILITIES

2020 Operating and Capital Budget

Sales, Marketing and Customer Service

Operations 5110

650.02 Electric, Water, Sewer & Solid Waste: \$6,800 - This account provides expenditures for electric, water, sewer and solid waste utility services.

790.15 Furniture & Fixtures: \$2,400- 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 chairs and stand up desks.

790.25 Machinery & Equipment: \$17,000 - This account provides for the acquisition, repair and replacement of filming equipment.

790.26 Computers, Printers & Copiers: \$7,500 - 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 .

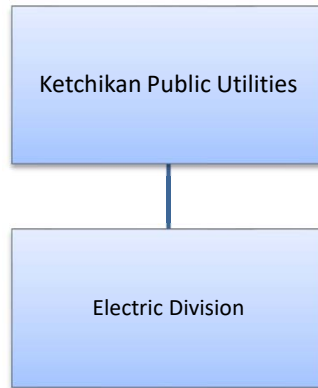
790.35 Software: \$500 - This account provides expenditures for acquisition of software systems and upgrades not covered by maintenance agreements.

825.01 Interdepartmental Charges-Insurance: \$21,810 - This account provides expenditures for the cost for risk management services.

KETCHIKAN PUBLIC UTILITIES
2020 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	2018	2019 Budget			2020	2019 Adopted/2020	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operations	19,311,739	18,363,418	24,675,317	23,575,111	18,914,093	550,675	3.0%
Capital Improvement Program	2,267,203	3,620,542	3,653,342	1,973,967	3,937,500	316,958	8.8%
Total	21,578,942	21,983,960	28,328,659	25,549,078	22,851,593	867,633	3.9%

Expenditures by Category	2018	2019 Budget			2020	2019 Adopted/2020	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	5,358,281	6,261,765	6,447,695	6,000,279	6,519,156	257,391	4.1%
Supplies	10,089,989	7,944,400	12,589,500	11,977,500	7,978,000	33,600	0.4%
Contract/Purchased Services	1,282,328	1,289,000	2,769,419	2,769,399	1,424,625	135,625	10.5%
Minor Capital Outlay	15,688	52,500	52,500	52,500	52,500	-	0.0%
Interdepartmental Charges	1,115,012	1,291,010	1,291,460	1,250,690	1,386,030	95,020	7.4%
Debt Service	1,068,448	1,142,750	1,142,750	1,142,750	1,142,850	100	0.0%
Payment in Lieu of Taxes	381,993	381,993	381,993	381,993	410,932	28,939	7.6%
Major Capital Outlay	2,267,203	3,620,542	3,653,342	1,973,967	3,937,500	316,958	8.8%
Total	21,578,942	21,983,960	28,328,659	25,549,078	22,851,593	867,633	3.9%

Funding Source	2018	2019 Budget			2020	2019 Adopted/2020	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	21,578,942	21,983,960	28,328,659	25,549,078	22,851,593	867,633	3.9%
Total	21,578,942	21,983,960	28,328,659	25,549,078	22,851,593	867,633	3.9%

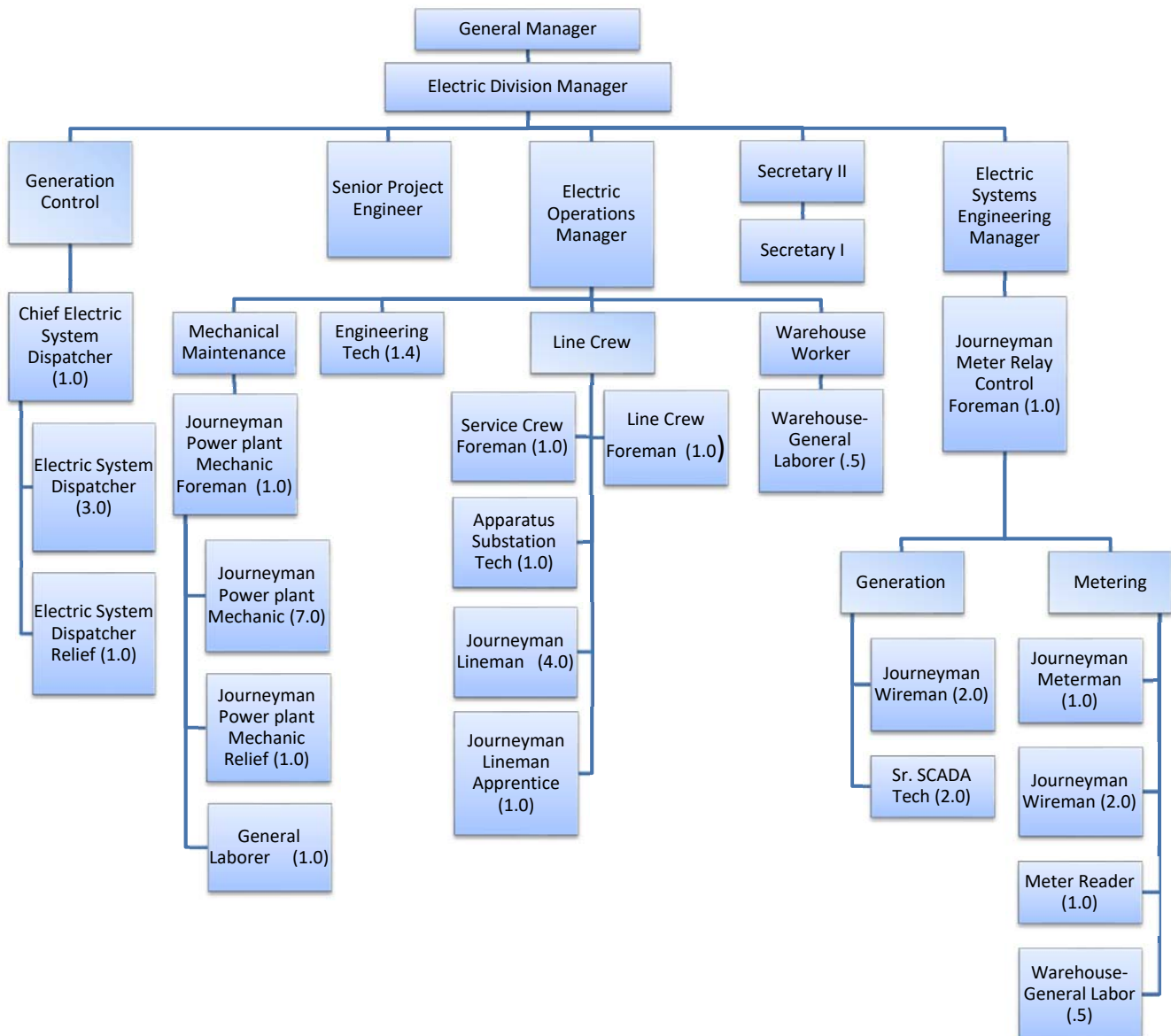
Full-time Equivalent Personnel	2018	2019 Budget		2020		2019 Adopted/2020	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
Operations	39.40	39.40	41.40	41.40	3,848,536	2.00	5.1%
Total	39.40	39.40	41.40	41.40	3,848,536	2.00	5.1%

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.

2019 Electric Division Statistics

Metered Customer Base Count:	7,978	Substations/Switchyards:	12
Poles (less SEAPA owned):	4,044	Switches & Fuses:	2,931
Transformers:	1,921	LED Street Lights:	559
		HPS Street Light:	1,150
Distribution Line:	100.3 miles		
Transmission Line:	33.1 miles	Secondary Radial Line:	122.96 miles
Hydro Generators:	9 Units/3 Licensed Projects	Regulatory Compliance:	FERC; EPA; DEC; USCG
			OSHA; NESC; NEC
Diesel Generators:	6 Units / 4 Temporary Units		



GOALS FOR 2020

- 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 2019

- 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).
- 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 was 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 exception 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.

KETCHIKAN PUBLIC UTILITIES
2020 Operating and Capital Budget
Electric Division

Operations 5200

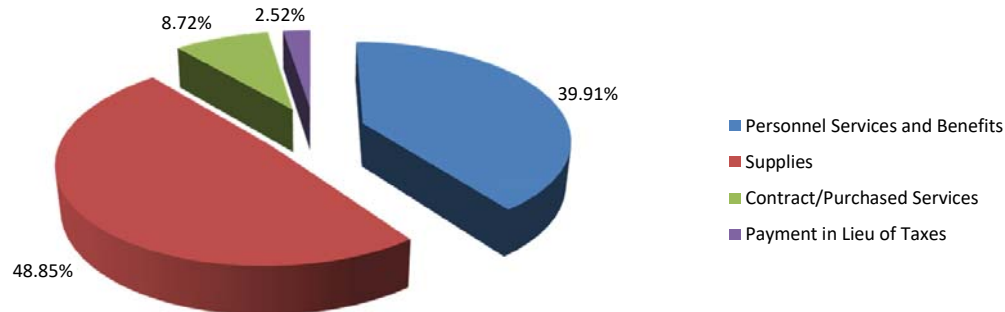
DIVISION SUMMARY							
Expenditures by Category	2018	2019 Budget			2020	2019 Adopted/2020	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	5,358,281	6,261,765	6,447,695	6,000,279	6,519,156	257,391	4.1%
Supplies	10,089,989	7,944,400	12,589,500	11,977,500	7,978,000	33,600	0.4%
Contract/Purchased Services	1,282,328	1,289,000	2,769,419	2,769,399	1,424,625	135,625	10.5%
Minor Capital Outlay	15,688	52,500	52,500	52,500	52,500	-	0.0%
Interdepartmental Charges	1,115,012	1,291,010	1,291,460	1,250,690	1,386,030	95,020	7.4%
Debt Service	1,068,448	1,142,750	1,142,750	1,142,750	1,142,850	100	0.0%
Payment in Lieu of Taxes	381,993	381,993	381,993	381,993	410,932	28,939	7.6%
Total Expenditures	19,311,739	18,363,418	24,675,317	23,575,111	18,914,093	550,675	3.0%
Funding Source	2018	2019 Budget			2020	2019 Adopted/2020	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	19,311,739	18,363,418	24,675,317	23,575,111	18,914,093	550,675	3.0%
Total Funding	19,311,739	18,363,418	24,675,317	23,575,111	18,914,093	550,675	3.0%
Full-time Equivalent Personnel	2018	2019 Budget		2020		2019 Adopted/2020	
	Actual	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	52,128	-	0.0%
Secretary I	1.00	1.00	1.00	1.00	45,483	-	0.0%
GENERATION							
Chief System Dispatcher	1.00	1.00	1.00	1.00	97,594	-	0.0%
System Dispatcher	3.00	3.00	3.00	3.00	253,170	-	0.0%
System Dispatcher-Relief	1.00	1.00	1.00	1.00	84,390	-	0.0%
SCADA							
Senior SCADA Technician	2.00	2.00	2.00	2.00	176,483	-	0.0%
LINE CREWS							
Line Crew Foreman	1.00	1.00	1.00	1.00	114,410	-	0.0%
Service Crew Foreman	1.00	1.00	1.00	1.00	114,410	-	0.0%
Apparatus Substation Tech	1.00	1.00	1.00	1.00	107,808	-	0.0%
Lineman	4.00	4.00	4.00	4.00	413,624	-	0.0%
Lineman Apprentice	1.00	1.00	1.00	1.00	88,451	-	0.0%
ELECTRICIANS							
Meter Relay Control Foreman	1.00	1.00	1.00	1.00	113,410	-	0.0%
Meterman	1.00	1.00	1.00	1.00	106,558	-	0.0%
Wireman/Electrician	4.00	4.00	4.00	4.00	408,624	-	0.0%
Meter Reader	1.00	1.00	1.00	1.00	53,658	-	0.0%
Warehouse-Relief Meter Reader	0.50	0.50	0.50	0.50	33,421	-	0.0%
MAINTENANCE							
Powerplant Mechanic Foreman	1.00	1.00	1.00	1.00	94,844	-	0.0%
Powerplant Mechanic	5.00	5.00	7.00	7.00	586,880	2.00	40.0%
Powerplant Mechanic-Relief	1.00	1.00	1.00	1.00	83,840	-	0.0%
SWAN LAKE							
Foreman	1.00	1.00	1.00	-	-	(1.00)	-100.0%
Maintenance & Operations Person	3.00	3.00	3.00	-	-	(3.00)	-100.0%

KETCHIKAN PUBLIC UTILITIES
2020 Operating and Capital Budget
Electric Division

Operations 5200

Full-time Equivalent Personnel	2018 Actual	2019 Budget		2020		2019 Adopted/2020	
		Adopted	Amended	Budget	Salary	Incr(Decr)	%
OTHER							
Warehouse Worker	1.00	1.00	1.00	1.00	75,058	-	0.0%
Warehouse/General Laborer	0.50	0.50	0.50	0.50	33,421	-	0.0%
Engineering Tech-CADD & GIS	1.40	1.40	1.40	1.40	99,539	-	0.0%
General Laborer	1.00	1.00	1.00	1.00	43,282	-	0.0%
Subtotal	43.40	43.40	45.40	41.40	3,848,536	(2.00)	-4.6%
Less Personnel Allocated Directly to Swan Lake:							
Foreman	(1.00)	(1.00)	(1.00)	-	-	1.00	-100.0%
Maintenance & Operations Person	(3.00)	(3.00)	(3.00)	-	-	3.00	-100.0%
Total	39.40	39.40	41.40	41.40	3,848,536	2.00	5.1%

2020 Expenditures by Type



OPERATING BUDGET CHANGES FOR 2020

Changes between the adopted operating budget for 2019 and the proposed operating budget for 2020 that are greater than 5% and \$5,000 are discussed below.

- Personnel Services and Benefits increased by \$257,391, or by 4.1%, as a result of the implementation of Ralph Andersen & Associates' update of the Compensation Plan effective October 1, 2019 for represented and non-represented employees; annual employee step increases; a 2.0% cost of living adjustment for represented and non-represented employees that will become effective January 1, 2020; and a projected ten percent increase in employee health insurance premiums that will become effective July 1, 2020.
- Allowances-Moving Expense (Account No. 509.07) increased by \$75,000, and is a new account. In 2019, the funds were budgeted under Account 535.01, but are now accounted for under Account No. 509.07. The increase is due to the hiring of new personnel from out of the Ketchikan area.
- Machinery & Equipment Maint. Materials (Account No. 515.04) increased by \$10,000, or by 20%, due to an increase of supplies needed to maintain machinery and equipment.
- Purchased Power Rebate (Account No. 525.06) decreased by \$400,000, or by 100%, as a result of SEAPA ending this program for the foreseeable future.
- Whitman Lake - SEAPA True-up (Account No. 525.10) decreased by \$400,000, or by 65.4%, due to the reduced potential of spill at SEAPA facilities.
- Moving Expenses - Non Taxed (Account No. 535.01) decreased by \$15,000, or by 100%, due to a realignment of the accounting structure. In 2019, funding was transferred to Account No. 509.07 because of changes in the Internal Revenue Code.

KETCHIKAN PUBLIC UTILITIES
2020 Operating and Capital Budget
Electric Division

Operations 5200

- Travel-Business (Account No. 600.01) increased by \$20,000, or by 400%, due to anticipated travel for candidates applying for Journeyman Lineman and other vacant positions.
- Travel-Training (Account No. 600.02) increased by \$20,000, or by 100%, due to training required for newly hired personnel.
- Travel-Training and Education (Account No. 600.03) increased by \$30,000, or by 100%, due to training required for newly hired personnel.
- Ads & Public Announcements (Account No. 605.01) increased by \$15,000, or by 150%, due to an increase in advertising for vacant positions.
- Infrastructure Maintenance Services (Account No. 635.08) increased by \$20,000, or by 100%, due to additional support needed to maintain utility infrastructure.
- Interdepartmental Charges-Administrative (Account No. 800.00) decreased by a total of \$11,430, or by 5.0% due to adjustments to the allocation methodology to ensure that the allocations are consistent with the expected workload for the Electric Division in 2020, which were offset by rising labor costs associated with the implementation of the 2019 Compensation Plan Update.
- Interdepartmental Charges (Account Nos. 801.00 through 803.01) increased by a total of \$60,510, or by 46.2%. Nearly all of the increase were due to rising labor costs associated with the implementation of the 2019 Compensation Plan Update.
- Interdepartmental- Insurance (Account No. 825.01) increased by \$45,940, or by 18.9%, due to the rising cost of 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.
- Payment in Lieu of Taxes (Account No. 975.00) increased by \$28,939, or by 7.6%, due to an increase in the property tax mill rate from 6.6 to 7.1.

DIVISION OPERATING BUDGET DETAIL

Operating Expenditures	2018	2019 Budget			2020	2019 Adopted/2020	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits							
500 .01 Regular Salaries and Wages	3,154,095	3,734,045	3,763,330	3,487,290	3,848,536	114,491	3.1%
501 .01 Overtime Wages	309,166	300,000	431,920	431,920	300,000	-	0.0%
502 .01 Temporary Wages	36,368	70,000	70,000	50,750	70,000	-	0.0%
505 .00 Payroll Taxes	275,603	313,960	317,250	303,500	322,720	8,760	2.8%
506 .00 Pension	529,262	622,970	622,970	577,690	665,420	42,450	6.8%
507 .00 Health and Life Insurance	822,830	962,100	962,100	890,200	1,001,950	39,850	4.1%
507 .30 Workers Compensation	146,365	170,910	172,870	159,170	130,430	(40,480)	-23.7%
508 .00 Other Benefits	59,548	79,780	81,075	73,580	95,800	16,020	20.1%
509 .04 Allowances-KPU Clothing	6,720	7,500	7,500	7,500	8,800	1,300	17.3%
509 .07 Allowances-Moving Expense	18,074	-	18,180	18,179	75,000	75,000	New
509 .08 Allowances-Medical Expenses	250	500	500	500	500	-	0.0%
Personnel Services and Benefits	5,358,281	6,261,765	6,447,695	6,000,279	6,519,156	257,391	4.1%

KETCHIKAN PUBLIC UTILITIES
2020 Operating and Capital Budget
Electric Division

Operations 5200

		2018	2019 Budget			2020	2019 Adopted/2020	
Operating Expenditures		Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Supplies								
510	.01 Office Supplies	14,593	17,000	17,000	17,000	17,500	500	2.9%
510	.02 Operating Supplies	10,751	10,000	10,000	10,000	10,000	-	0.0%
510	.03 Safety Program Supplies	31,823	20,000	25,000	25,000	25,000	5,000	25.0%
510	.04 Janitorial Supplies	984	1,000	1,000	1,000	1,000	-	0.0%
510	.05 Small Tools & Equipment	31,618	35,000	35,000	35,000	35,000	-	0.0%
515	.01 Vehicle Maintenance Materials	70,280	70,000	70,000	70,000	70,000	-	0.0%
515	.02 Building & Grounds Maint Materials	11,508	25,000	25,000	25,000	25,000	-	0.0%
515	.03 Furniture & Fixtures Maint Materials	-	500	500	500	500	-	0.0%
515	.04 Machinery & Equip Maint Materials	21,975	50,000	50,000	50,000	60,000	10,000	20.0%
515	.05 Infrastructure & Plant Maint Materials	459,190	485,000	485,000	485,000	500,000	15,000	3.1%
520	.02 Postage	1,104	1,500	1,500	1,500	1,500	-	0.0%
520	.04 Freight-Materials & Supplies	30,632	40,000	40,000	40,000	40,000	-	0.0%
525	.01 Generation Diesel Fuel	3,505,349	334,900	7,200,000	7,200,000	350,000	15,100	4.5%
525	.02 Generation Oil Lubricants	101,295	60,000	250,000	250,000	60,000	-	0.0%
525	.03 Heating Fuel	4,156	5,500	5,500	5,500	5,500	-	0.0%
525	.04 Vehicle Motor Fuel & Lubricants	41,008	50,000	50,000	50,000	50,000	-	0.0%
525	.05 Purchased Power	6,143,725	6,500,000	4,100,000	4,100,000	6,500,000	-	0.0%
525	.06 Purchased Power Rebate	(425,075)	(400,000)	(400,000)	(400,000)	-	400,000	-100.0%
525	.07 Machinery & Equip Fuel & Lubricants	29,616	3,000	3,000	3,000	3,000	-	0.0%
525	.10 Whitman Lake - SEAPA True-up	-	612,000	612,000	-	212,000	(400,000)	-65.4%
530	.02 Periodicals	937	1,500	1,500	1,500	1,500	-	0.0%
530	.03 Professional & Technical Publications	1,339	1,500	1,500	1,500	1,500	-	0.0%
535	.01 Moving Expenses - Non-Taxed	-	15,000	-	-	-	(15,000)	-100.0%
535	.02 Business and Meal Expenses	2,648	3,000	3,000	3,000	3,000	-	0.0%
535	.05 Special Protective Clothing	533	3,000	3,000	3,000	6,000	3,000	100.0%
Supplies		10,089,989	7,944,400	12,589,500	11,977,500	7,978,000	33,600	0.4%
Contract/Purchased Services								
600	.01 Travel-Business	3,837	5,000	5,000	5,000	25,000	20,000	400.0%
600	.02 Travel-Training	12,704	20,000	20,000	20,000	40,000	20,000	100.0%
600	.03 Travel-Training and Education	30,033	30,000	30,000	30,000	60,000	30,000	100.0%
605	.01 Ads & Public Announcements	4,746	10,000	25,000	25,000	25,000	15,000	150.0%
610	.02 Grant Awards	75,546	73,500	73,500	73,500	75,705	2,205	3.0%
615	.01 Professional and Technical Licenses	839	2,500	2,500	2,500	2,500	-	0.0%
615	.02 Assn. Membership Dues & Fees	12,584	15,000	15,000	15,000	15,000	-	0.0%
630	.01 Building & Operating Permits	91,079	125,000	125,000	125,000	125,000	-	0.0%
630	.02 Vehicle Licenses	396	1,500	1,500	1,500	1,500	-	0.0%
635	.02 Janitorial and Cleaning Services	3,600	5,000	5,000	5,000	10,000	5,000	100.0%
635	.03 Vehicle Maintenance Services	-	5,000	5,000	5,000	5,000	-	0.0%
635	.04 Software Maintenance Services	47,655	72,000	72,000	72,000	72,000	-	0.0%
635	.06 Bldg & Grounds Maintenance Services	-	7,000	7,000	7,000	7,000	-	0.0%
635	.08 Infrastructure Maintenance Services	28,688	20,000	95,000	95,000	40,000	20,000	100.0%
635	.09 Disposal Services	-	30,000	23,820	23,800	30,000	-	0.0%
635	.12 Technical Services	300,896	365,000	354,000	354,000	380,000	15,000	4.1%
635	.14 Other Contractual Services	16,564	23,000	23,000	23,000	23,000	-	0.0%
640	.02 Engineering & Architectural Services	59,242	100,000	67,200	67,200	100,000	-	0.0%
640	.04 Management & Consulting Services	77,419	125,000	119,000	119,000	125,000	-	0.0%
645	.01 Rents & Leases-Land & Buildings	26,852	32,000	35,000	35,000	32,000	-	0.0%
645	.02 Rents & Leases-Machinery & Equip	269,053	4,500	1,444,479	1,444,479	4,500	-	0.0%
650	.01 Telecommunications	170,152	170,000	170,000	170,000	175,000	5,000	2.9%
650	.02 Electric, Water, Sewer & Solid Waste	45,693	48,000	51,420	51,420	51,420	3,420	7.1%
Contract/Purchased Services		1,282,328	1,289,000	2,769,419	2,769,399	1,424,625	135,625	10.5%

KETCHIKAN PUBLIC UTILITIES
2020 Operating and Capital Budget
Electric Division

Operations 5200

Operating Expenditures	2018 Actual	2019 Budget			2020 Budget	2019 Adopted/2020	
		Adopted	Amended	Estimate		Incr(Decr)	%
Minor Capital Outlay							
790 .15 Furniture and Fixtures	7,480	10,000	10,000	10,000	10,000	-	0.0%
790 .26 Computers, Printers, and Copiers	8,208	35,000	35,000	35,000	35,000	-	0.0%
790 .35 Software	-	7,500	7,500	7,500	7,500	-	0.0%
Minor Capital Outlay	15,688	52,500	52,500	52,500	52,500	-	0.0%
Interdepartmental Charges							
800 .00 Interdept'l-Administrative	216,000	229,690	229,690	228,340	218,260	(11,430)	-5.0%
801 .01 Interdept'l-Human Resources	76,179	78,960	78,960	73,450	108,640	29,680	37.6%
802 .00 Interdept'l-Finance	453,431	506,210	506,210	479,400	526,300	20,090	4.0%
803 .01 Interdept'l-Information Tech	177,993	232,530	232,530	225,430	243,270	10,740	4.6%
825 .01 Interdept'l-Insurance	191,409	243,620	244,070	244,070	289,560	45,940	18.9%
Interdepartmental Charges	1,115,012	1,291,010	1,291,460	1,250,690	1,386,030	95,020	7.4%
Debt Service							
931 .01 Debt Service-Principal	605,000	620,000	620,000	620,000	640,000	20,000	3.2%
932 .01 Debt Service-Interest	463,448	522,750	522,750	522,750	502,850	(19,900)	-3.8%
Debt Service	1,068,448	1,142,750	1,142,750	1,142,750	1,142,850	100	0.0%
Other Costs							
975 .00 Payment in Lieu of Taxes	381,993	381,993	381,993	381,993	410,932	28,939	7.6%
Other Costs	381,993	381,993	381,993	381,993	410,932	28,939	7.6%
Total Expenditures by Type	19,311,739	18,363,418	24,675,317	23,575,111	18,914,093	550,675	3.0%

NARRATIVE

500.01 Regular Salaries and Wages: \$3,848,536 - 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: \$322,720 - This account provides expenditures for employer contributions for Social Security and Medicare and other similar payroll related taxes.

506.00 Pension: \$665,420 - This account provides expenditures for employer contributions to retirement plans.

507.00 Health and Life Insurance: \$1,001,950 - This account provides expenditures for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation \$130,430 - This account provides expenditures for employer contributions for workers compensation.

508.00 Other Benefits: \$95,800 - 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.

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: \$17,500 - 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 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.

525.05 Purchased Power: \$6,500,000 - 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 for the expenditure 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 for employer provided clothing purchased for use by department or division personnel.

600.01 Travel-Business: \$25,000 – 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: \$40,000 - This account provides expenditures for transportation, lodging, meals, per diems and other incidental expenses associated with travel for training.

600.03 Training and Education: \$60,000 – 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: \$75,705 - 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.

KETCHIKAN PUBLIC UTILITIES

2020 Operating and Capital Budget

Electric Division

Operations 5200

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.

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: \$380,000 - 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: \$51,420 - This account provides expenditures for electric, water, sewer and solid waste utility services.

790.15 Furniture and Fixtures: \$10,000 - 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 \$35,000 - 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: \$218,260 - 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: \$108,640 - This account provides expenditures for human resource services provided by the Human Resources Division.

802.00 Interdepartmental Charges - Finance: \$526,300 - 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: \$243,270 - This account provides expenditures for information technology services provided by the Information Technology Department.

825-01 Interdepartmental Charges – Insurance: \$289,560 - This account provides expenditures for risk management services and claims.

931.01 Debt Service-Principal: \$640,000 - This account provides expenditures for principal on revenue bonds.

932.01 Debt Service-Interest: \$502,850 - This account provides expenditures for interest on revenue bonds.

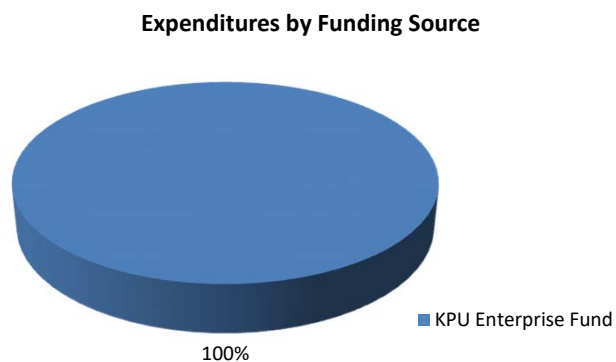
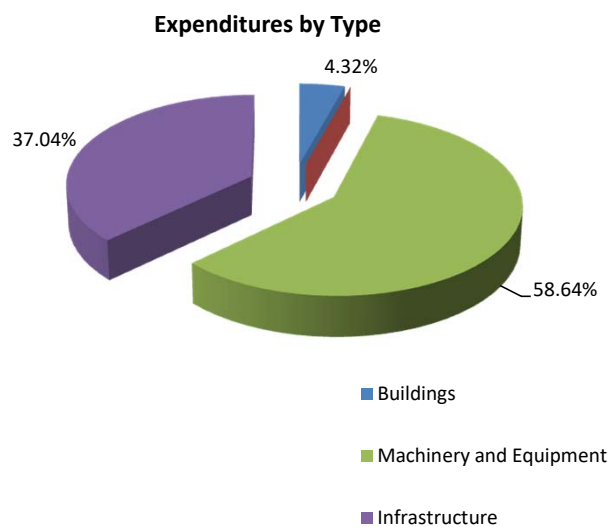
975.00 Payment in Lieu of Taxes: \$410,932 - This account provides expenditures for payments in lieu of taxes assessed against the enterprise funds of the City.

KETCHIKAN PUBLIC UTILITIES
2020 Operating and Capital Budget
Electric Division

Capital Budget

Major Capital Outlay	2018 Actual	2019 Budget			2020 Budget	2019 Adopted/2020	
		Adopted	Amended	Estimate		Incr(Decr)	%
705-00 Buildings		-	-		170,000	170,000	New
720.00 Vehicles and Moving Equipment	188,205	-	-	-	-	-	0.0%
725.00 Machinery and Equipment	235,525	2,134,500	2,134,500	1,214,500	2,309,000	174,500	8.2%
730.00 Infrastructure	1,843,473	1,432,375	1,460,175	700,800	1,458,500	26,125	1.8%
740-00 Other Capital Assets	-	53,667	58,667	58,667	-	(58,667)	-100.0%
Total Major Capital Outlay	2,267,203	3,620,542	3,653,342	1,973,967	3,937,500	316,958	8.8%

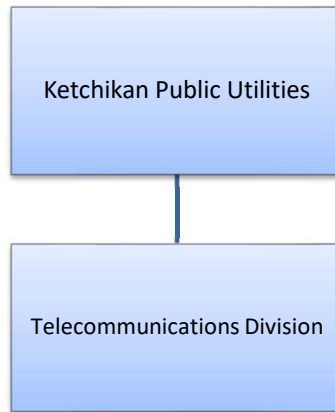
Capital Improvement Projects		Funding Sources			
Project #	Project	KPU	Grants	Bonds	Total
		Enterprise Fund			
705-00 Buildings					
	Warehouse Roof Repair and Replacement	170,000	-	-	170,000
	Total Buildings	170,000	-	-	170,000
725.00 Machinery and Equipment					
	Bailey Generator No. 4 (BAG4) Turbo Upgrade	100,000			100,000
	Bailey Unit No. 3 Rehabilitation	400,000			400,000
	Bailey Unit No. 1 Rehabilitation	850,000			850,000
	Beaver Falls Switch Gear Replacement	320,000			320,000
	Bailey Diesel Exhaust Blanket Replacement	20,000			20,000
	Silvis Substation Upgrade	125,000			125,000
	AMI, Meters and Meter Replacement Parts	125,000			125,000
	Transformer Purchase	85,000			85,000
	Battery Systems and Chargers	34,000			34,000
	Operating Equipment	250,000			250,000
	Total Machinery and Equipment	2,309,000	-	-	2,309,000
730.00 Infrastructure					
	Beaver Falls Project Relicensing	300,000			300,000
	Diesel Generation Modernization	60,000			60,000
	Whitman Tailrace Modification	25,000			25,000
	OSI SCADA Upgrade	394,000			394,000
	Ketchikan International Airport & Pennock Is. Upgrade	250,000			250,000
	Downtown Underground Upgrade	25,000			25,000
	Ketchikan Lakes Underground	25,000			25,000
	System Sectionalizing and Fault Studies	19,500			19,500
	Reimbursable Projects	75,000			75,000
	Bailey Lighting Upgrade	75,000			75,000
	Bailey Mooring Dolphin Replacement	110,000			110,000
	Additional Projects	100,000			100,000
	Total Infrastructure	1,458,500	-	-	1,458,500
	Total Capital Budget	3,937,500	-	-	3,937,500



KETCHIKAN PUBLIC UTILITIES
2020 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	2018	2019 Budget			2020	2019 Adopted/2020	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operations	13,858,284	16,441,627	16,569,333	15,022,238	16,731,400	289,773	1.8%
Capital Improvement Program	2,381,914	7,377,000	7,377,000	2,009,540	13,475,000	6,098,000	82.7%
Total	16,240,198	23,818,627	23,946,333	17,031,778	30,206,400	6,387,773	26.8%

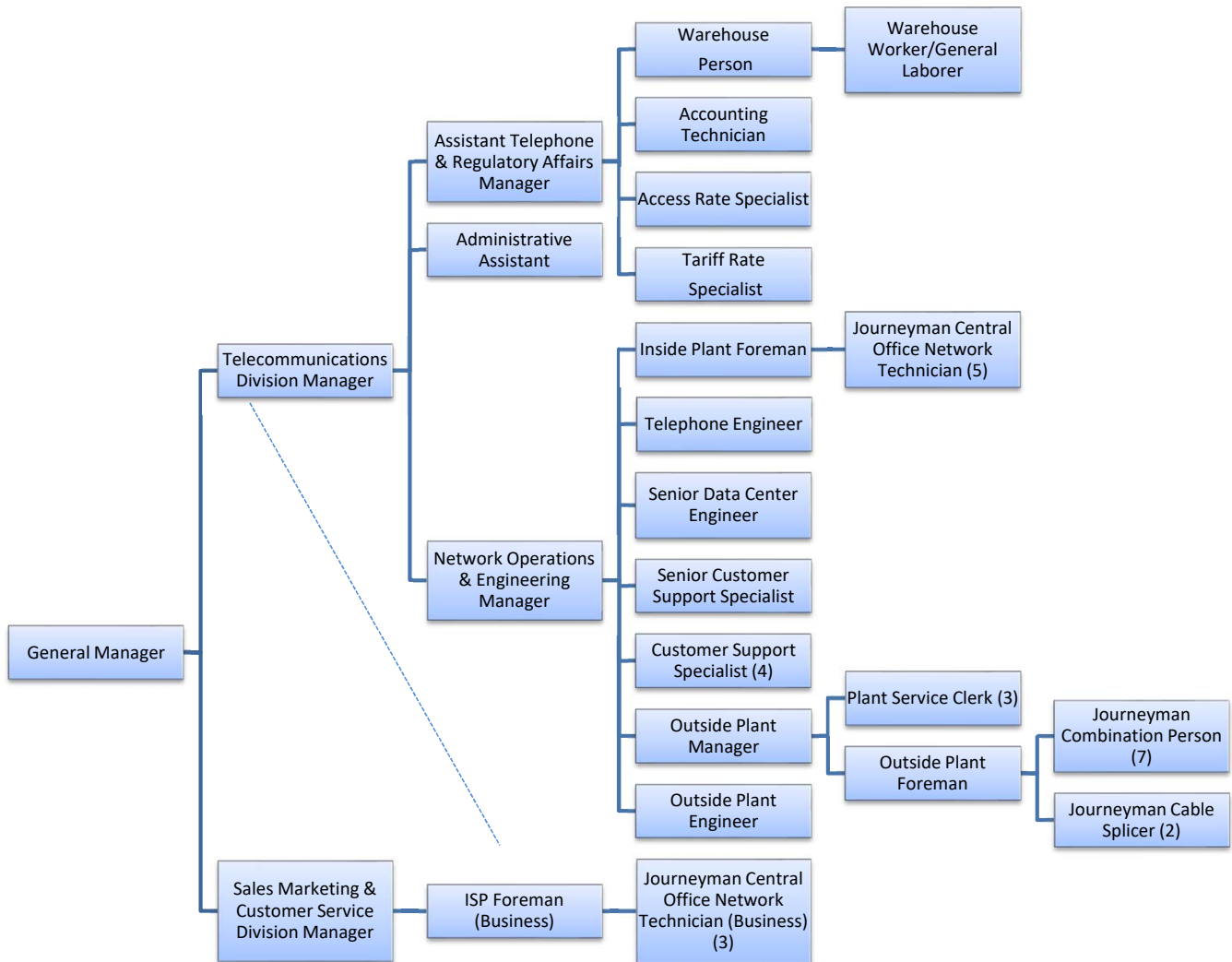
Expenditures by Category	2018	2019 Budget			2020	2019 Adopted/2020	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	4,973,990	5,956,430	5,987,130	5,471,470	6,037,220	80,790	1.4%
Supplies	851,606	885,500	932,266	850,300	853,300	(32,200)	-3.6%
Contract/Purchased Services	6,705,678	7,477,750	7,519,990	7,035,791	7,207,745	(270,005)	-3.6%
Minor Capital Outlay	15,421	17,500	25,500	25,500	21,500	4,000	22.9%
Interdepartmental Charges	975,475	1,041,060	1,041,060	1,006,610	1,117,190	76,130	7.3%
Debt Service	129,756	857,029	857,029	426,209	1,272,399	415,370	48.5%
Payment in Lieu of Taxes	206,358	206,358	206,358	206,358	222,046	15,688	7.6%
Major Capital Outlay	2,381,914	7,377,000	7,377,000	2,009,540	13,475,000	6,098,000	82.7%
Total	16,240,198	23,818,627	23,946,333	17,031,778	30,206,400	6,387,773	26.8%

Funding Source	2018	2019 Budget			2020	2019 Adopted/2020	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	16,240,198	18,808,627	18,936,333	17,031,778	18,706,400	(102,227)	-0.5%
Revenue Bond	-	5,010,000	5,010,000	-	11,500,000	6,490,000	129.5%
Total	16,240,198	23,818,627	23,946,333	17,031,778	30,206,400	6,387,773	26.8%

Full-time Equivalent Personnel	2018	2019 Budget		2020		2019 Adopted/2020	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
Operations	41.00	41.00	41.00	41.00	3,638,810	-	0.0%
Total	41.00	41.00	41.00	41.00	3,638,810	-	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 2020

The division's 2020 capital budget goals are essentially divided between Revenue & Competitive Strategy, Efficiency & Quality of Service and Ongoing Operations:

Revenue & Competitive Strategy: 2019 marked the sixth full year of operation for KPU's Verizon 'roaming data and voice' 4G/LTE. 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 wireless system/service in Skagway.

Each of these projects represented a significant 'first' for KPU, and better positioned the Telecommunications Division to compete in the future – and enabled KPU to procure affordable '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) have created capacity over 20 times the amount of network connectivity required in 2012. Simply put, customer demand (i.e., streaming video, "smart devices", increasing reliance upon digital "cloud" connectivity) continues to grow and place extraordinary demands on the KPU network. Traffic forecasts make clear that KPU must invest in additional off-island capacity to meet near and long-term future customer demand.

Accordingly, the 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 were opened in early October, 2018. Although the bids were competitive the division lacked all necessary permits and financing. It was decided to postpone the project until 2020.

As of this writing, KPU anticipates passage of Prop 2, the October 1, 2019 ballot initiative which asks voters to approve the \$11.5 million Revenue Bond necessary to fund construction of the undersea cable. Accordingly, for purposes of completing the 2020 Capital Budget – KPU Telecommunications assumes successful passage of Prop 2, and late 2019 bid award for construction of the undersea fiber cable in summer 2020. Upon project completion, KPU 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).

Other noteworthy investments in the 2020 Capital Budget include:

Security has become a mandatory area of concern throughout the industry. KPU has completed an initial security assessment and has included security items in the upcoming budget cycles.

Network Monitoring is another area of focus in 2020. Network Monitoring of the network in real time and in-depth is necessary to monitor the health of the network, ensuring the division offers reliable and fail safe services to its customers.

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.

Efficiency: The 2020 Budget includes replacement of 2 Astro vans and the warehouse forklift. The Astro vans are utilized for daily service installation and repair work, and are over 15 years old. Continuing to operate these vehicles is maintenance intensive, and the aged and worn appearance of the vans is contrary to the image the competitive Telecommunications Division must portray to customers and the community. The Telecommunications Division's sole forklift is 24 years old and is utilized daily to stack and otherwise move inventory. The floor of the passenger cab is severely rusted, as is the frame.

Quality of Service/Ongoing Operations: The division's 2020 Operating Budget (vs 2019) represents an increase of \$288,353 or 1.8%. The 2020 Operating Budget is as close to a 'flat' budget as possible without decreasing services and/or eliminating personnel. Management believes that even with a "flat" operating budget, the proposed spending plan maintains a high quality of service without risking ongoing operations. The overall budget increase is a result of a significant increase in debt service for the new bonding required for the Subsea Fiber Optic Cable project (offset by decreases in other Operating Budget accounts for 2020) as detailed in the narrative section of the division's proposed budget.

ACCOMPLISHMENTS FOR 2019

Administration

Completed permitting and contract award for the Subsea Fiber Cable between Ketchikan and Prince Rupert. Easement granted, bond proposition on 10/1/19 ballot.

Completed the move of the 4G-LTE WEST site from the AT&T Alascom Tower to the roof of the Ketchikan General Hospital. The savings were substantial as opposed to the alternative of building a new tower.

Completed an agreement to lease out space on the Landfill Tower to create a new revenue stream from that facility.

Implemented a new system to track and report the Performance Measurements that the FCC will require the division to report in 2020. Devices will be placed in customer's homes and each quarter KPU will measure speed, latency, and jitter for the location.

Completed the Antenna Structure Registration for the Landfill Tower to be in full compliance with the FCC regulations for tower structures.

4G LTE / Microwave

- CAT-M support for cellular IoT connected devices
- Complete replacement of cellular baseband cards
- Landfill tower upgrade to 4x4 MIMO
- New cell site near Ketchikan Public Library
- Complete cell site power optimization implementation
- Complete software upgrades for all sites

Facility

- Datacenter Battery replacement
- Admin Building Gate replacement
- Eichner remote power plant upgrade
- Fiber capacity increases in the CO
- Yukon Fire Systems rebuild

Core

- Minim residential wifi offering
- 2nd Qwilt appliance cache server
- Additional routers at K71 for downtown businesses
- New /20 ipv4 network block added for additional capacity
- Internal infrastructure upgraded to 10G capacity
- Redundant management network built
- Remote out-of-band network designed

Voice

- New AT&T LD carrier CIC code
- Broadworks security audit analysis and implementation
- SIP registration cleanup project completed
- Broadworks UC-One feature implementation
- Broadworks certification for PBX team

Systems and Datacenter

- Veeam VM backup and replication project completed
- Design of new storage array
- Datacenter rewiring project complete
- Removal of legacy datacenter VDX switching platform

Service Delivery

- Wrike project management software introduction
- 11 MDUs installed this year for business and residential services

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Video

Minerva10 middleware upgrade project
 Verimatrix encryption upgrade
 New weather channel and tennis channels
 New Kamai 7B STB
 New Brutus VI IPTV transcoder
 New Vubiquity Feed Control Manager installed
 New Edgware VOD server

Line Crew & Splicers

21 Business terminals
 Fiber relief at Arnold
 Gravina Line Extension
 LTE: Landfill Tower AWS Upgrade, Cell site at Library, & Skagway RET cabling
 25 Pole Transfers

Install & TT to date (8/28/19)

563 Service Orders
 686 Trouble Tickets
 178 Fiber Drops

Hosted Business Group

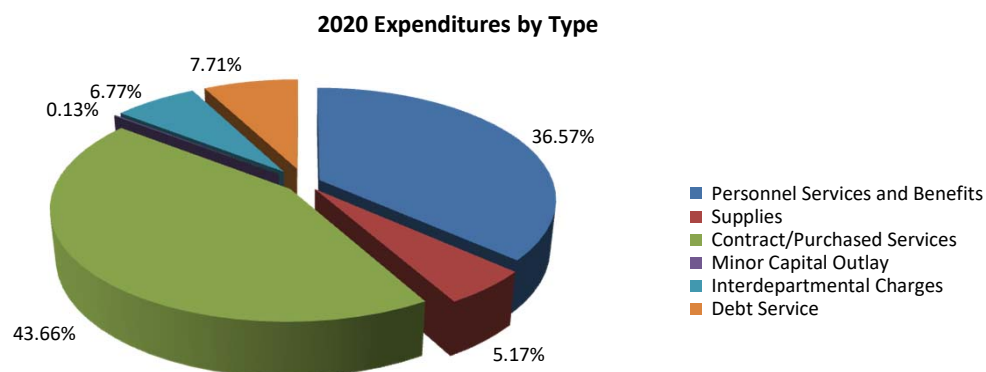
Continued adding new Hosted PBX system customers
 Continued adding new Hosted PBX Lines in Broadworks
 New Meraki Wireless Installations
 Updated Meraki Wireless Devices
 Installed new Meraki cameras
 Updated Meraki cameras
 Installed new Call Centers
 Installed 11 MDUs this year thus far
 10 SCADA Circuits for Electric
 6 fiber upgrades for business customers

DIVISION SUMMARY							
Expenditures by Category	2018	2019 Budget			2020	2019 Adopted/2020	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	4,973,990	5,956,430	5,987,130	5,471,470	6,037,220	80,790	1.4%
Supplies	851,606	885,500	932,266	850,300	853,300	(32,200)	-3.6%
Contract/Purchased Services	6,705,678	7,477,750	7,519,990	7,035,791	7,207,745	(270,005)	-3.6%
Minor Capital Outlay	15,421	17,500	25,500	25,500	21,500	4,000	22.9%
Interdepartmental Charges	975,475	1,041,060	1,041,060	1,006,610	1,117,190	76,130	7.3%
Debt Service	129,756	857,029	857,029	426,209	1,272,399	415,370	48.5%
Payment in Lieu of Taxes	206,358	206,358	206,358	206,358	222,046	15,688	7.6%
Total Expenditures	13,858,284	16,441,627	16,569,333	15,022,238	16,731,400	289,773	1.8%
Funding Source	2018	2019 Budget			2020	2019 Adopted/2020	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	13,858,284	16,441,627	16,569,333	15,022,238	16,731,400	289,773	1.8%
Total Funding	13,858,284	16,441,627	16,569,333	15,022,238	16,731,400	289,773	1.8%

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Full-time Equivalent Personnel	2018	2019 Budget		2020		2019 Adopted/2020	
	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	51,541	-	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	62,356	-	0.0%
Access Rate Specialist	1.00	1.00	1.00	1.00	61,413	-	0.0%
Accounting Technician	1.00	1.00	1.00	1.00	48,019	-	0.0%
ENGINEERING SERVICES							
Engineering Manager	1.00	1.00	1.00	1.00	156,272	-	0.0%
Engineer	1.00	1.00	1.00	1.00	111,040	-	0.0%
Senior Datacenter Engineer	-	-	-	1.00	111,040	1.00	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	95,792	-	0.0%
Journeyman Cable Splicer	3.00	3.00	3.00	2.00	178,250	(1.00)	-33.3%
Journeyman Combination Tech	8.00	8.00	8.00	7.00	592,746	(1.00)	-12.5%
Inside Plant Foreman	1.00	2.00	2.00	2.00	211,780	-	0.0%
Journeyman CO Network Tech	9.00	7.00	7.00	8.00	793,776	1.00	14.3%
Sr. Customer Support Specialist	-	1.00	1.00	1.00	55,824	-	0.0%
Customer Support Specialist	4.00	4.00	4.00	4.00	203,738	-	0.0%
PLANT NON-SPECIFIC							
Plant Manager	1.00	1.00	1.00	1.00	104,242	-	0.0%
Plant Service Clerk	3.00	3.00	3.00	3.00	202,530	-	0.0%
Warehouse Worker	1.00	1.00	1.00	1.00	75,058	-	0.0%
Warehouse Worker/Laborer	1.00	1.00	1.00	1.00	66,841	-	0.0%
Total	41.00	41.00	41.00	41.00	3,638,810	-	0.0%



OPERATING BUDGET CHANGES FOR 2020

Changes between the adopted operating budget for 2019 and the proposed operating budget for 2020 that are greater/lesser than 5% and \$5,000 are discussed below:

- Personnel Services and Benefits increased by \$80,790, or by 1.4%, as a result of the implementation of Ralph Andersen & Associates' update of the Compensation Plan effective October 1, 2019 for represented and non-represented employees; annual employee step increases; a 2.0% cost of living adjustment for represented and non-represented employees that will become effective January 1, 2020; and a projected ten percent increase in employee health insurance premiums that will become effective July 1, 2020.
- Moving Expenses-Non-Taxed (Account No. 535.01) decreased by \$30,000, or by 100.0%, due to a new regulation in which all moving expenses are deemed taxable. Moving expenses now are recorded in the Allowances Moving Expense account 509.07. Notwithstanding the account change, the division has reduced this account by \$15,000 for 2020.
- Building & Operating Permits (Account No. 630.01) decreased by \$70,000, or by 28.0%, due to a reduction in contributions to the Universal Service Fund program, which is based on Interstate telecommunications services and reimbursed by end user customers. Specifically this decrease is a result of the grant of forbearance by the FCC on the application of USF on broadband services.
- Legal and Accounting Services (Account No. 640.01) decreased by \$5,000, or by 7.7%, due to historical trending in this line item and more stability in legal proceedings regarding regulatory issues.
- Engineering and Architectural Services (Account No. 640.02) decreased by \$140,000, or by 31.1%, due to decreased engineering support services needed for the Data Center, Hosted PBX platform, and the lessening need for outside professional core network and IP engineering services to enhance and maintain the division's core network, security and redundancy plans.
- Rents and Leases - Infrastructure (Account No. 645.04) decreased by \$150,000, or by 4.8%, primarily due to no longer being required to pay core fees for 4G-LTE traffic. The division has added transport capacity necessary in 2020 to meet growing customer data consumption requirements. There are also annual rent escalators in most of the division's property and tower lease agreements which counteract other decreases.
- Telecommunications (Account No. 650.01) decreased by \$17,000, or by 10.2%, due to moving the lease of on island transport capacity to the rents and leases account.
- Electric, Water, Sewer & Solid Waste (Account No. 650.02) increased by \$50,240, or by 24.5%. Electric utility rates have been programmed to increase 3.5% effective January 1, 2020. In addition, due to drought conditions in Southeast Alaska, the electric utility has been assessing a diesel surcharge that is expected to continue in 2020.
- Interdepartmental-Administrative (Account No. 800.00) decreased by \$8,040, or by 4.4%, due to adjustments to the allocation methodology to ensure that the allocations are consistent with the expected workload for the Electric Division in 2020, which were offset by rising labor costs associated with the implementation of the 2019 Compensation Plan Update.
- Interdepartmental-Human Resources (Account No. 801.01) increased by \$30,410, or by 37.7%, due to increased costs associated with the implementation of the 2019 compensation plan update.
- Interdepartmental-Finance (Account No. 802.00) increased by \$17,360, or by 4.3%, due to adjustments to the allocation methodology to ensure that the allocations are consistent with the expected workload for the Electric Division in 2020 and rising labor costs associated with the implementation of the 2019 Compensation Plan Update.
- Interdepartmental-Information Tech (Account No. 803.01) increased by \$13,420, or by 4.6%, due to increased costs associated with the implementation of the compensation plan update.
- Interdepartmental-Insurance (Account No. 825.01) increased by \$22,980, or by 26.6%. 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.

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- Debt Service-Principal (Account No. 931.01) increased by \$336,909, or by 52.3%. The issuance of an \$11.5 million revenue bond to finance the construction of a subsea fiber cable will result in an increase in the amount of annual debt service required to meet the principal and interest obligations on this bond. Originally, a \$5 million revenue bond had been planned in 2019 for this project.
- Debt Service-Interest (Account No. 932.01) increased by \$78,461, or by 36.9%. The issuance of an \$11.5 million revenue bond to finance the construction of a subsea fiber cable will result in an increase in the amount of annual debt service required to meet the principal and interest obligations on this bond. Originally, a \$5 million revenue bond had been planned in 2019 for this project.
- Payment in Lieu of Taxes (Account No. 975.00) increased by \$15,688, or by 7.6%, due to an increase in the property tax mill rate from 6.6 to 7.1.

DIVISION OPERATING BUDGET DETAIL

Operating Expenditures	2018	2019 Budget			2020	2019 Adopted/2020	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits							
500 .01 Regular Salaries and Wages	2,969,228	3,549,590	3,549,590	3,272,660	3,638,810	89,220	2.5%
501 .01 Overtime Wages	261,908	265,000	269,500	269,460	275,000	10,000	3.8%
502 .01 Temporary Wages	-	14,500	10,000	4,840	14,500	-	0.0%
505 .00 Payroll Taxes	247,953	293,700	293,700	269,540	300,520	6,820	2.3%
506 .00 Pension	531,554	649,880	649,880	578,850	637,280	(12,600)	-1.9%
507 .00 Health and Life Insurance	800,340	1,008,510	1,008,510	888,680	1,021,400	12,890	1.3%
507 .30 Workers Compensation	65,478	80,540	80,540	68,840	60,480	(20,060)	-24.9%
508 .00 Other Benefits	77,637	87,410	87,410	80,600	66,230	(21,180)	-24.2%
509 .04 Allowances-KPU Clothing	3,570	5,000	5,000	5,000	5,000	-	0.0%
509 .07 Allowances- Moving Expense	10,000	-	30,000	30,000	15,000	15,000	0.0%
509 .08 Allowances- Medical Expense	75	-	-	-	-	-	NA
509 .09 Allowances-Incentive Pay	6,247	2,300	3,000	3,000	3,000	700	30.4%
Personnel Services and Benefits	4,973,990	5,956,430	5,987,130	5,471,470	6,037,220	80,790	1.4%
Supplies							
510 .01 Office Supplies	11,256	16,000	15,300	15,000	15,000	(1,000)	-6.3%
510 .02 Operating Supplies	15,639	20,000	20,000	20,000	20,000	-	0.0%
510 .03 Safety Program Supplies	17,082	19,000	19,000	19,000	19,000	-	0.0%
510 .04 Janitorial Supplies	4,540	6,000	6,000	6,000	6,000	-	0.0%
510 .05 Small Tools & Equipment	34,920	35,000	35,000	35,000	35,000	-	0.0%
510 .07 Food & Catering	1,421	1,000	1,000	1,000	1,000	-	0.0%
510 .08 Inventory for Resale	(46,572)	25,000	25,000	25,000	25,000	-	0.0%
515 .01 Vehicle Maintenance Materials	32,204	25,000	25,000	25,000	28,000	3,000	12.0%
515 .02 Building & Grounds Maint Materials	12,092	14,000	14,000	14,000	14,000	-	0.0%
515 .05 Infrastructure & Plant Maint Materials	674,010	595,000	672,466	595,000	595,000	-	0.0%
520 .02 Postage	487	1,500	1,500	1,000	1,000	(500)	-33.3%
520 .04 Freight-Materials & Supplies	40,995	46,500	45,700	42,000	42,000	(4,500)	-9.7%
525 .03 Heating Fuel	6,661	6,000	6,800	6,800	6,800	800	13.3%
525 .04 Vehicle Motor Fuel & Lubricants	28,372	27,000	27,000	27,000	27,000	-	0.0%
530 .02 Periodicals	422	500	500	500	500	-	0.0%
530 .03 Professional & Technical Publications	931	1,000	1,000	1,000	1,000	-	0.0%
535 .01 Moving Expenses-Non Taxed	-	30,000	-	-	-	(30,000)	-100.0%
535 .02 Business and Meal Expenses	678	1,000	1,000	1,000	1,000	-	0.0%
535 .04 Uniforms/Badges/Clothing	16,468	16,000	16,000	16,000	16,000	-	0.0%
Supplies	851,606	885,500	932,266	850,300	853,300	(32,200)	-3.6%

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			2018	2019 Budget			2020	2019 Adopted/2020	
Operating Expenditures			Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Contract/Purchased Services									
600	.01	Travel-Business	37,216	45,000	45,000	45,000	45,000	-	0.0%
600	.02	Travel-Training	22,202	30,000	30,000	30,000	30,000	-	0.0%
600	.03	Travel-Training and Education	11,882	15,250	15,250	15,250	15,250	-	0.0%
605	.01	Ads & Public Announcements	88,343	81,000	81,000	81,000	81,000	-	0.0%
605	.02	Marketing	-	2,500	2,500	1,000	1,000	(1,500)	-60.0%
610	.01	Community Promotion	4,000	4,000	4,000	4,000	4,000	-	0.0%
610	.02	Grant Awards	60,129	58,500	58,510	58,501	60,255	1,755	3.0%
615	.01	Professional Licenses & Cert	-	250	250	250	250	-	0.0%
615	.02	Assn. Membership Dues & Fees	41,192	46,000	46,000	46,000	46,000	-	0.0%
630	.01	Building & Operating Permits	231,331	250,000	248,690	180,000	180,000	(70,000)	-28.0%
630	.02	Vehicle Licenses	325	500	500	500	500	-	0.0%
630	.03	Bank & Merchant Fees	2,083	1,500	2,800	2,800	3,000	1,500	100.0%
630	.04	Broadcast Content Fees	1,521,950	1,678,000	1,678,000	1,678,000	1,730,000	52,000	3.1%
630	.05	Software Licenses	1,750	500	500	500	500	-	0.0%
630	.06	Service Charges and Fees	-	250	250	250	250	-	0.0%
635	.02	Janitorial & Cleaning Services	18,180	24,000	24,000	20,000	20,000	(4,000)	-16.7%
635	.03	Vehicle Maintenance Services	17,031	20,000	20,000	20,000	20,000	-	0.0%
635	.04	Software & Equip. Maint. Services	492,189	555,000	555,000	555,000	575,000	20,000	3.6%
635	.06	Building and Grounds Maint. Svc	20,192	20,000	20,000	20,000	20,000	-	0.0%
635	.07	Machinery & Equipment Maint. Svc	10,724	14,000	14,000	12,000	12,000	(2,000)	-14.3%
635	.08	Infrastructure Maint. Services	43,265	65,000	65,000	65,000	65,000	-	0.0%
635	.12	Technical Services	101,011	126,000	126,000	120,000	120,000	(6,000)	-4.8%
635	.14	Other Contractual Services	188,741	140,000	140,000	120,000	140,000	-	0.0%
640	.01	Legal and Accounting Services	8,861	65,000	65,000	60,000	60,000	(5,000)	-7.7%
640	.02	Engineering & Architectural Services	499,618	450,000	450,000	450,000	310,000	(140,000)	-31.1%
640	.04	Management & Consulting Services	124,992	125,000	125,000	125,000	125,000	-	0.0%
645	.01	Rents and Leases-Land & Buildings	175,958	186,500	186,500	186,500	186,500	-	0.0%
645	.02	Rents and Leases-Machinery & Equip	1,917	2,000	2,000	2,000	2,000	-	0.0%
645	.04	Rents and Leases-Infrastructure	2,623,539	3,100,000	3,100,000	2,732,000	2,950,000	(150,000)	-4.8%
650	.01	Telecommunications	155,303	167,000	159,000	150,000	150,000	(17,000)	-10.2%
650	.02	Electric, Water, Sewer & Solid Waste	201,754	205,000	255,240	255,240	255,240	50,240	24.5%
Contract/Purchased Services			6,705,678	7,477,750	7,519,990	7,035,791	7,207,745	(270,005)	-3.6%
Minor Capital Outlay									
790	.15	Furniture and Fixtures	9,004	7,000	15,000	15,000	11,000	4,000	57.1%
790	.25	Machinery and Equipment	6,417	10,000	10,000	10,000	10,000	-	0.0%
790	.35	Software	-	500	500	500	500	-	0.0%
Minor Capital Outlay			15,421	17,500	25,500	25,500	21,500	4,000	22.9%
Interdepartmental Charges									
800	.00	Interdept'l-Administrative	171,920	181,760	181,850	181,740	173,720	(8,040)	-4.4%
801	.01	Interdept'l-Human Resources	77,910	80,700	80,610	75,120	111,110	30,410	37.7%
802	.00	Interdept'l-Finance	360,894	401,530	401,530	381,570	418,890	17,360	4.3%
803	.01	Interdept'l-Information Tech	303,635	290,670	290,670	281,780	304,090	13,420	4.6%
825	.01	Interdept'l-Insurance	61,116	86,400	86,400	86,400	109,380	22,980	26.6%
Interdepartmental Charges			975,475	1,041,060	1,041,060	1,006,610	1,117,190	76,130	7.3%
Debt Service									
931	.01	Debt Service-Principal	-	644,307	644,307	350,987	981,216	336,909	52.3%
932	.01	Debt Service-Interest	129,756	212,722	212,722	75,222	291,183	78,461	36.9%
Debt Service			129,756	857,029	857,029	426,209	1,272,399	415,370	48.5%

KETCHIKAN PUBLIC UTILITIES
2020 Operating and Capital Budget
Telecommunications Division

Operations 5300

Operating Expenditures	2018 Actual	2019 Budget			2020 Budget	2019 Adopted/2020	
		Adopted	Amended	Estimate		Incr(Decr)	%
Other Costs							
975 .00 Payment in Lieu of Taxes	206,358	206,358	206,358	206,358	222,046	15,688	7.6%
Other Costs	206,358	206,358	206,358	206,358	222,046	15,688	7.6%
Total Expenditures by Type	13,858,284	16,441,627	16,569,333	15,022,238	16,731,400	289,773	1.8%

NARRATIVE

500.01 Regular Salaries and Wages: \$3,638,810 – This account provides expenditures for the cost of annual salaries and wages paid to the employees of the Telecommunications Division.

501.01 Overtime Wages: \$275,000 - 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: \$300,520 – This account provides expenditures for employer contributions for Social Security and Medicare and other similar payroll related taxes.

506.00 Pension: \$637,280 – 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: \$1,021,400 – This account provides expenditures for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation: \$60,480 – This account provides expenditures for employer contributions to workers compensation insurance.

508.00 Other Benefits: \$66,230 – 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: \$3,000 - This account provides 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: \$28,000 - 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: \$14,000 – 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: \$6,800 - This account provides 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: \$45,000 – 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: \$30,000 - This account provides for transportation, lodging, meals, per diems and other incidental expenses associated with travel for training.

600.03 Training and Education: \$15,250 – 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: \$81,000 - 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 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: \$60,255 – 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: \$3,000 – This account provides expenditures for 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: \$1,730,000 – 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: \$20,000 - 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: \$20,000 - 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: \$12,000 - 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: \$120,000 - 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: \$140,000 - 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: \$60,000 - 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: \$310,000 - 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: \$186,500 - 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: \$2,950,000 - 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: \$150,000 - 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: \$255,240 - This account provides for electric, water, sewer, and solid waste utility services.

790.15 Furniture and Fixtures: \$11,000 - This account provides expenditures for acquisition of furniture and fixtures. Included are desks, chairs, tables, workstations, file cabinets, storage cabinets and building fixtures.

790.25 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: \$173,720 - 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: \$111,110 - This account provides expenditures for human resource services provided by the Human Resources Division.

802.00 Interdepartmental Charges - Finance: \$418,890 - 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: \$304,090 - This account provides expenditures for information technology services provided by the Information Technology Department.

825.01 Interdepartmental Charges – Insurance: \$109,380 - This account provides for risk management services and claims.

931.01 Debt Service-Principal: \$981,216 - This account provides expenditures for principal on bonds, loans, capital leases and other financing arrangements.

932.01 Debt Service-Interest: \$291,183 - This account provides expenditures for interest on bonds, loans, capital leases and other financing arrangements.

975.00 Payment in Lieu of Taxes: \$222,046 - 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.
- IRU – Indefeasible Rights of Use: A permanent contractual agreement to use capacity on a network or facility.
- 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.
- SBC – Session Border Controller: Utilized to secure communications between the public internet and the division's voice infrastructure.
- SIP – Session Initiation Protocol: The protocol utilized to offer Voice in an IP network.
- 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.
- VTC – Automation and Provisioning Suite: Offered by CommSoft, VTC provides automation in provisioning, along with several troubleshooting and diagnostics tools.

KETCHIKAN PUBLIC UTILITIES
2020 Operating and Capital Budget
Telecommunications Division

Capital Budget

Major Capital Outlay	2018 Actual	2019 Budget			2020 Budget	2019 Adopted/2020	
		Adopted	Amended	Estimate		Incr(Decr)	%
705.00 Buildings	31,676	25,000	25,000	25,000	25,000	-	0.0%
720.00 Vehicles & Moving Equipment	278,435	150,000	150,000	150,000	150,000	-	0.0%
725.00 Machinery and Equipment	46,323	45,000	57,000	57,000	95,000	50,000	111.1%
730.00 Infrastructure	2,025,480	7,157,000	7,145,000	1,777,540	13,205,000	6,048,000	84.5%
Total Major Capital Outlay	2,381,914	7,377,000	7,377,000	2,009,540	13,475,000	6,098,000	82.7%

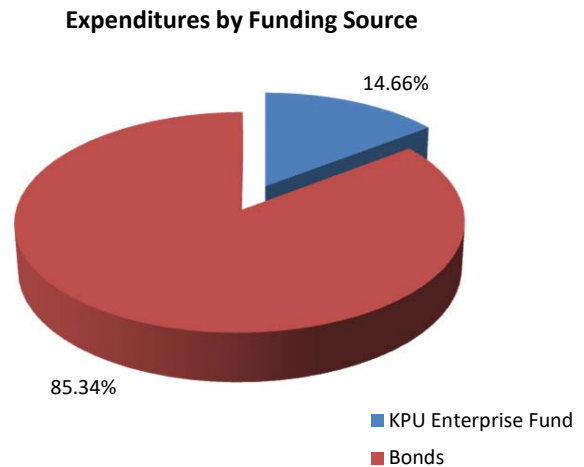
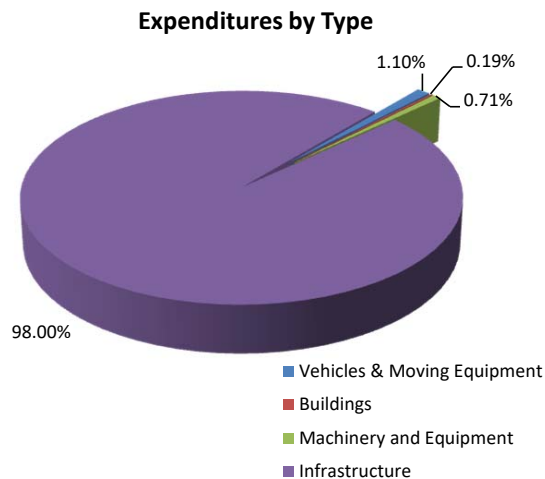
Capital Improvement Projects		Funding Sources			
Project #	Project	KPU Enterprise Fund	Grants	Bonds	Total
705.00 Buildings					
	Regulated				
	Normal Growth and Repair - Buildings	25,000			25,000
	Total Buildings	25,000	-	-	25,000
720.00 Vehicles and Moving Equipment					
	Vehicle Acquisition	150,000			150,000
	Total Vehicles and Moving Equipment	150,000	-	-	150,000
725.00 Machinery and Equipment					
	Regulated				
	PC Hardware and Software	45,000			45,000
	Operating Equipment	50,000			50,000
	Total Machinery and Equipment	95,000	-	-	95,000
730.00 Infrastructure					
	Regulated				
	Normal Growth and Repair - CO Switching	25,000			25,000
	Normal Growth and Repair - Copper Cable	20,000			20,000
	Normal Growth and Repair - Fiber Cable	150,000			150,000
	Normal Growth and Repair - CO Transmission	250,000			250,000
	Normal Growth and Repair - Expansion	25,000			25,000
	Normal Growth and Repair - Provisioning	80,000			80,000
	Fiber to the Home	75,000			75,000
	Remote Cabinets for Advanced Services	25,000			25,000
	Core Network Upgrade	100,000			100,000
	Server Environment	100,000			100,000
	Multi-Dwelling Unit Project	125,000			125,000
	Power Expansion/Reclamation	25,000			25,000
	Visual Mapping Software	25,000			25,000
	Network Monitoring	100,000			100,000

KETCHIKAN PUBLIC UTILITIES
2020 Operating and Capital Budget
Telecommunications Division

Capital Budget

2018 Capital Improvement Projects (continued)

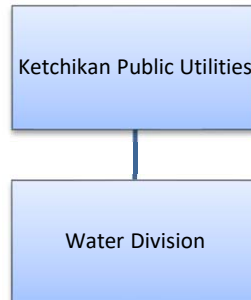
2018 Capital Improvement Projects (continued)		Funding Sources			
Project #	Project	KPU	Grants	Bonds	Total
		Enterprise Fund			
730.00 Infrastructure (continued)					
	Non-Regulated				
	Headend Expansion	50,000			50,000
	Internet Expansion			11,500,000	11,500,000
	IPv4 Addressing	80,000			80,000
	Video Set Top Boxes	75,000			75,000
	4G-LTE	100,000			100,000
	Microwave	25,000			25,000
	Hosted	200,000			200,000
	WiFi	50,000			50,000
	Total Infrastructure	1,705,000	-	11,500,000	13,205,000
	Total Capital Budget	1,975,000	-	11,500,000	13,475,000



KETCHIKAN PUBLIC UTILITIES
2020 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	2018 Actual	2019 Budget			2020 Budget	2019 Adopted/2020 Incr(Decr) %	
		Adopted	Amended	Estimate			
Operations	3,268,618	3,763,275	3,972,355	3,876,538	3,934,888	171,613	4.6%
Capital Improvement Program	236,305	3,099,071	3,036,971	424,680	9,356,070	6,256,999	201.9%
Total	3,504,923	6,862,346	7,009,326	4,301,218	13,290,958	6,428,612	93.7%

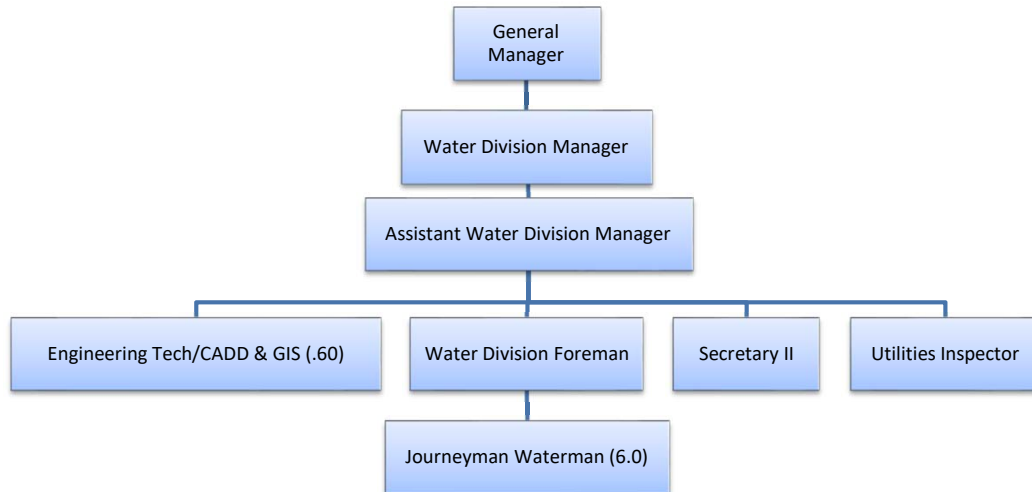
Expenditures by Category	2018 Actual	2019 Budget			2020 Budget	2019 Adopted/2020 Incr(Decr) %	
		Adopted	Amended	Estimate			
Personnel Services and Benefits	1,429,370	1,674,889	1,707,759	1,664,990	1,720,948	46,059	2.7%
Supplies	282,952	311,795	441,444	427,486	328,855	17,060	5.5%
Contract/Purchased Services	379,092	522,100	566,500	556,650	560,390	38,290	7.3%
Minor Capital Outlay	5,751	5,700	5,700	5,500	5,700	-	0.0%
Interdepartmental Charges	390,316	449,220	451,380	422,340	498,627	49,407	11.0%
Debt Service	583,488	601,922	601,923	601,923	607,746	5,824	1.0%
Payment in Lieu of Taxes	197,649	197,649	197,649	197,649	212,622	14,973	7.6%
Major Capital Outlay	236,305	3,099,071	3,036,971	424,680	9,356,070	6,256,999	201.9%
Total	3,504,923	6,862,346	7,009,326	4,301,218	13,290,958	6,428,612	93.7%

Funding Source	2018 Actual	2019 Budget			2020 Budget	2019 Adopted/2020 Incr(Decr) %	
		Adopted	Amended	Estimate			
KPU Enterprise Fund	3,504,923	4,020,346	4,167,326	4,039,616	4,736,781	716,435	17.8%
Bonds	-	2,842,000	2,842,000	261,602	8,554,177	5,712,177	201.0%
Total	3,504,923	6,862,346	7,009,326	4,301,218	13,290,958	6,428,612	93.7%

Personnel	2018 Actual	2019 Budget		2020		2019 Adopted/2020 Incr(Decr) %	
		Adopted	Amended	Budget	Salary		
Operations	10.93	11.60	11.60	11.60	984,908	-	0.0%
Total	10.93	11.60	11.60	11.60	984,908	-	0.0%

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 2020

- Continue to address the issue of the failing Schoenbar Road raw water main including the installation of a temporary bypass segment by mid-2020. This will allow the community to continue being supplied with safe, potable water while construction then begins to replace all of the existing water and wastewater utilities beneath this same segment of Schoenbar Road.
- Continue to take whatever actions are necessary for Ketchikan to comply with the latest amendments to the Safe Water Drinking Act while continuing to meet the requirements of the EPA's Administrative Order that allows Ketchikan to remain as an unfiltered system.
- 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 the 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 including awarding a contract to an engineering firm to complete audits of the remaining individual businesses for inclusion into the next phase of construction bid documents. Advertise for bids and recommend for award by motion of the City Council.
- In conjunction with the Public Works Department, continue with designs for the future water and sewer replacement projects that are identified in both the General Government and KPU five-year Capital Improvement Programs.
- Identify source leaks and reduce the waste of water wherever possible.
- Continue to provide continuing education classes necessary for division employees to maintain their required certifications.

ACCOMPLISHMENTS FOR 2019

Ensured compliance with the EPA's Administrative Order (AO) that allows Ketchikan's municipal water system to remain unfiltered as long as the division can continue to meet all applicable criteria. For over 26 years since July 1993, this AO, has allowed Ketchikan to continue as one of the very few unfiltered water systems remaining anywhere within the United States. As a measure of the critical importance of Ketchikan continuing to meet the requirements of the AO, should the EPA's criteria not be met at some later date, all three of the conceptual Ketchikan filtration alternatives that were presented to the City Council in October 2018 are projected to be extremely expensive with an estimated capital cost of at least \$70-million with an annual O & M cost of \$2-million or more.

While Ketchikan has been able to meet all of the AO's requirements, once the EPA's Stage 1 and Stage 2 Disinfection Byproducts Rules went into effect, the regulations have proven difficult to meet and required the Utility to make significant disinfection method changes. The EPA's Stage 2 Disinfection Byproducts Rule (Stage 2 DBPR) that went into effect in 2014 requires sampling only at the two worst-case scenarios within the distribution system and during specific months. Ketchikan began disinfecting with chloramines instead of chlorine on April 8, 2014, which substantially reduced the previously high amounts of haloacetic acids present. This was further enhanced on June 14, 2016 after installing additional equipment to begin a two-part program of reducing the amount of chlorine disinfectant injected at the primary site followed by minimal secondary chlorine injected downstream of the UV Disinfection Facility.

Once the EPA's Stage 2 DBP Rule went into effect, the required DBP Rule sample points changed. The week and month that the samples must be collected is now specified, and KPU can no longer average the results over the entire distribution system. Instead each sample point must stand on its own merits, and when averaged over the mandatory February, May, August, and November samples, these become the official results that are measured for compliance and must unequivocally be below a 60 parts per billion (ppb) average for haloacetic acids (HAA5) and 80 ppb for total trihalomethanes (TTHM). The latest running quarterly average HAA5 results at the two worst-case sites for the four specific months were 47.0 ppb and 48.4 ppb respectively. Similarly, the TTHM's overall running average, expressed at the same Stage 2 DBPR averaged quarterly basis, found both sites were 31.9 and 33.9 ppb; which is well below the 80 ppb Maximum Contaminants Level (MCL).

KPU's compliance with the EPA's haloacetic acid regulations for over 2.5 years is now the longest period that KPU has ever achieved since sampling first began in 2004. Despite these favorable results, it is important that Ketchikan not become too complacent and consider that these results are the new norm and will continue. There have been years when, as Ketchikan Lakes' raw water grew warmer during the summer months, the amount of dissolved organics in the water also increased significantly. Following the addition of chlorine for disinfection, it also created amounts of haloacetic acids that were much greater than 60 ppb.

The division complied with EPA regulations requiring all community water systems to annually prepare a Consumer Confidence Report. These reports must contain information on the quality of the water delivered by the Utility's water system and characterize any risks from exposure to contaminants in an accurate and understandable manner. All other potable water analyses made on either a daily, weekly, monthly, quarterly or annual basis have also been completed and the analytical reports delivered to the regulatory agencies on time.

In cooperation with the Finance Department and the Public Works Wastewater Division, the Water Division began implementation of the business and commercial water metering project. After ADEC's review and approval of the Bid Documents as required in the Loan Agreements, KPU began advertising the initial meter installation contract with a bid opening on July 2nd. This contract is for the installation of meters in 70 businesses that have already been audited by staff and in each instance, the audit determined the service size, meter location, the telephone number and contact person, and identified any additional complications that the contractor may have to address while installing the new meter.

This first contract was limited in size to allow everyone involved to both gain experience and to obtain better knowledge of the difficulties that are encountered while installing individual meters. Each installation will be almost custom-made as KPU intends to have as many of these new water meters as possible installed inside each building's heated mechanical room. This will not only eliminate the need to demolish concrete sidewalk panels throughout the community which would be necessary if meters were placed in buried vaults outside, it will also eliminate the possible effect of subfreezing winter weather conditions, particularly on those seasonal business owners who have their water service shut off after the tourist season is completed.

KETCHIKAN PUBLIC UTILITIES
2020 Operating and Capital Budget
Water Division

Operations 5400

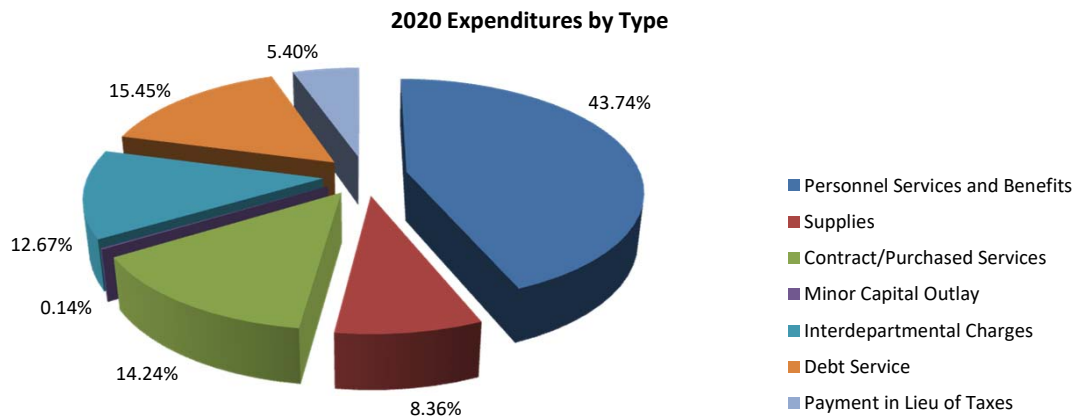
Since October 2018, there have been 3 major failures of the 36-inch ductile iron raw water transmission main in Schoenbar Road between the Schoenbar Middle School and the Ketchikan Charter School, all of which required complex and costly emergency repairs by the Water Division and contract labor. This is the critical water transmission main which transports water from the Chlorination Plant up to the UV Disinfection Facility and is the sole route that supply's disinfected drinking water to the entire City, and it is in dire need of replacement. Design of its replacement with a preliminary estimated cost of over \$7.5-million is in progress with fast-track construction expected to begin in early 2020. Funding for this project is also actively proceeding. The Alaska Department of Environmental Conservation (ADEC) has amended its 2020 Project Priority List by increasing Ketchikan's Schoenbar Road Water Main Improvement Loan amount to \$5,973,779. In addition, in the October 2019 election, the citizens of Ketchikan approved Ballot Proposition No. 3 approving the issuance of a \$5 Million KPU Revenue Bond for water improvements for the water utility.

DIVISION SUMMARY

Expenditures by Category	2018	2019 Budget			2020	2019 Adopted/2020	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	1,429,370	1,674,889	1,707,759	1,664,990	1,720,948	46,059	2.7%
Supplies	282,952	311,795	441,444	427,486	328,855	17,060	5.5%
Contract/Purchased Services	379,092	522,100	566,500	556,650	560,390	38,290	7.3%
Minor Capital Outlay	5,751	5,700	5,700	5,500	5,700	-	0.0%
Interdepartmental Charges	390,316	449,220	451,380	422,340	498,627	49,407	11.0%
Debt Service	583,488	601,922	601,923	601,923	607,746	5,824	1.0%
Payment in Lieu of Taxes	197,649	197,649	197,649	197,649	212,622	14,973	7.6%
Total Expenditures	3,268,618	3,763,275	3,972,355	3,876,538	3,934,888	171,613	4.6%

Funding Source	2018	2019 Budget			2020	2019 Adopted/2020	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	3,268,618	3,763,275	3,972,355	3,876,538	3,934,888	171,613	4.6%
Total Funding	3,268,618	3,763,275	3,972,355	3,876,538	3,934,888	171,613	4.6%

Personnel	2018	2019 Budget		2020		2019 Adopted/2020	
	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	87,801	-	0.0%
Journeyman Waterman	6.00	6.00	6.00	6.00	463,908	-	0.0%
Utility Inspector	1.00	1.00	1.00	1.00	83,190	-	0.0%
Eng Tech/KPU-CADD & GIS	0.60	0.60	0.60	0.60	41,189	-	0.0%
Secretary II	1.00	1.00	1.00	1.00	52,128	-	0.0%
Total	10.93	11.60	11.60	11.60	984,908	-	0.0%



OPERATING BUDGET CHANGES FOR 2020

Changes between the adopted operating budget for 2019 and the proposed operating budget for 2020 that are greater than 5% and \$5,000 are discussed below.

- Personnel Services and Benefits increased by \$46,059 or by 2.7%, due to annual employee step increases; a 2% cost of living adjustment for represented and non-represented employees that will become effective January 1, 2020; the implementation of the 2019 compensation plan update; a 10% projected increase in employee health insurance premiums; and an increase in overtime wages, which was offset by decreasing temporary wages by \$38,000, due to the challenge of finding qualified temporary employees. Additional overtime wages are needed to reflect the additional maintenance expenditures in 2020 that will be necessary to make continuing repairs to the failing Schoenbar Road raw water main; the sole water supply for the entire community.
- Operating Supplies (Account No. 510.02) decreased by (\$5,000), or by -33.3%, due to the historical expenses of laboratory supplies and chemical testing equipment being lower than the 2019 adopted budget.
- Chemicals (Account No. 510.06) increased by \$5,000, or by 5.0%, primarily due to the increase in the purchase prices of various chemicals. Chemical costs have risen in 2019, particularly for ammonium hydroxide which has increased 20%.
- Infrastructure & Plant Maintenance Materials (Account No. 515.05) increased by \$20,000, or by 28.6%, due to the continuing cost of maintaining the failing Schoenbar Road raw water main until the temporary bypass is installed by mid- 2020.
- Travel-Business (Account No. 600.01) increased by \$12,500 due to the funding of meetings with the Congressional Delegation regarding the proposed Compliance Order by Consent for water filtration.
- Machinery & Equipment Maint Services (Account No. 635.07) decreased by \$8,000, or by 28.6%, due to the historical expenses of contractual services on the Water division's machinery and equipment being lower than the 2019 adopted budget.
- Technical Services (Account No. 635.12) decreased by \$5,000, or by 5.9%, due to the historical expenses of contractual services on the Water division's machinery and equipment being lower than the 2019 adopted budget.
- Electric, Water, Sewer & Solid Waste (Account No. 650.02) increased by \$38,800, or by 22.2%. Electric utility rates have been programmed to increase 3.5% effective January 1, 2020. In addition, due to drought conditions in Southeast Alaska, the electric utility has been assessing a diesel surcharge that is expected to continue in 2020.
- Interdepartmental-Human Resources (Account No. 801.01) increased by \$7,420, or by 37.6%, due the implementation of the 2019 compensation plan and adjustments to the allocation methodology to ensure that the allocations are consistent with the expected workload for the City Manager Department-Human Resources Division in 2020.

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- Interdepartmental-Engineering (Account No. 804.01) increased by \$18,000, or by 15.5%, due the implementation of the 2019 compensation plan and adjustments to the allocation methodology to ensure that the allocations are consistent with the expected workload for the Public Works Department-Engineering Division in 2020.
- Interdepartmental-Insurance (Account No. 825.01) increased by \$11,340, or by 28.0%, due to the rising cost of 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.
- Interdepartmental-Bldg Rent (Account No. 850.04) increased by \$7,837, or by 22.6%, due to the Water Division's share of increased janitorial services costs for the KPU Administration building. Previously, janitorial services were funded by the KPU General Manager. Future janitorial service for the building will be funded by the Public Works Department through a contract award.
- Payment in Lieu of Taxes (Account No. 975.00) increased by \$14,973, or by 7.6%, due to an increase in the property tax mill rate from 6.6 to 7.1.

DIVISION OPERATING BUDGET DETAIL

Operating Expenditures		2018	2019 Budget			2020	2019 Adopted/2020	
		Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits								
500	.01 Regular Salaries and Wages	855,204	957,359	957,359	955,270	984,908	27,549	2.9%
501	.01 Overtime Wages	67,454	75,000	109,020	109,020	113,000	38,000	50.7%
502	.01 Temporary Wages	-	38,000	35,000	12,670	-	(38,000)	-100.0%
505	.00 Payroll Taxes	69,688	81,890	83,890	81,280	83,990	2,100	2.6%
506	.00 Pension	157,032	190,960	190,280	183,720	199,070	8,110	4.2%
507	.00 Health and Life Insurance	233,655	277,430	277,430	269,890	291,390	13,960	5.0%
507	.30 Workers Compensation	27,566	34,180	34,710	33,100	27,850	(6,330)	-18.5%
508	.00 Other Benefits	16,806	17,430	17,430	17,400	18,100	670	3.8%
509	.04 Allowances-KPU Clothing	1,890	1,890	1,890	1,890	1,890	-	0.0%
509	.08 Allowances-Medical Expenses	75	750	750	750	750	-	0.0%
	Personnel Services and Benefits	1,429,370	1,674,889	1,707,759	1,664,990	1,720,948	46,059	2.7%
Supplies								
510	.01 Office Supplies	3,673	4,000	4,000	3,500	4,000	-	0.0%
510	.02 Operating Supplies	15,821	15,000	11,129	9,500	10,000	(5,000)	-33.3%
510	.03 Safety Program Supplies	2,583	3,500	3,500	2,500	3,500	-	0.0%
510	.04 Janitorial Supplies	1,040	750	800	800	750	-	0.0%
510	.05 Small Tools & Equipment	4,953	5,000	5,000	4,600	5,000	-	0.0%
510	.06 Chemicals	69,177	100,000	96,000	96,000	105,000	5,000	5.0%
515	.01 Vehicle Maintenance Materials	8,860	20,000	12,900	12,000	20,000	-	0.0%
515	.02 Building & Grounds Maint Materials	3,667	5,000	5,600	5,600	5,000	-	0.0%
515	.04 Machinery & Equip Maint Materials	49,355	60,000	55,000	48,000	60,000	-	0.0%
515	.05 Infrastructure & Plant Maint Materials	100,541	70,000	220,570	220,000	90,000	20,000	28.6%
520	.02 Postage	1,301	1,000	1,000	500	500	(500)	-50.0%
520	.03 Bulk Mailing	3,515	4,290	4,290	3,650	4,000	(290)	-6.8%
520	.04 Freight-Materials & Supplies	2,276	3,000	4,400	4,400	3,000	-	0.0%
525	.04 Vehicle Motor Fuel & Lubricants	15,268	18,000	15,000	15,000	16,000	(2,000)	-11.1%
530	.02 Periodicals	-	155	155	155	155	-	0.0%
530	.03 Professional & Technical Publications	922	1,600	1,600	1,200	1,450	(150)	-9.4%
535	.02 Business and Meal Expenses	-	500	500	81	500	-	0.0%
	Supplies	282,952	311,795	441,444	427,486	328,855	17,060	5.5%

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Operating Expenditures		2018	2019 Budget			2020	2019 Adopted/2020	
		Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Contract/Purchased Services								
600	.01 Travel-Business	-	-	-	-	12,500	12,500	New
600	.02 Travel-Training	3,100	3,000	3,000	1,500	3,000	-	0.0%
600	.03 Travel-Training and Education	9,347	12,000	12,000	12,000	12,000	-	0.0%
605	.01 Advertising and Public Announcements	1,793	1,200	1,200	1,150	1,200	-	0.0%
605	.02 Advertising and Publishing - Marketing	2,383	1,850	16,850	16,850	750	(1,100)	-59.5%
610	.02 Grant Awards	18,501	18,000	18,000	18,000	18,540	540	3.0%
615	.01 Professional Licenses & Fees	1,490	1,400	1,400	750	1,000	(400)	-28.6%
615	.02 Assn. Membership Dues & Fees	2,849	2,000	2,400	2,400	2,000	-	0.0%
630	.01 Building & Operating Permits	1,685	1,500	1,500	1,100	1,500	-	0.0%
630	.02 Vehicle Licenses	35	150	150	100	100	(50)	-33.3%
635	.04 Software Maintenance Services	6,380	10,000	14,000	14,000	12,000	2,000	20.0%
635	.06 Bldg & Grounds Maintenance Services	2,886	5,000	5,000	4,300	4,000	(1,000)	-20.0%
635	.07 Machinery & Equipment Maint Services	8,690	28,000	12,000	10,500	20,000	(8,000)	-28.6%
635	.08 Infrastructure Maintenance Services	46,911	40,000	40,000	35,000	40,000	-	0.0%
635	.12 Technical Services	58,184	85,000	75,000	75,000	80,000	(5,000)	-5.9%
640	.02 Engineering & Architectural Services	20,540	100,000	112,000	112,000	100,000	-	0.0%
645	.02 Rents and Leases-Machinery & Equip	229	3,000	3,200	3,200	3,000	-	0.0%
650	.01 Telecommunications	32,264	35,000	35,000	35,000	35,000	-	0.0%
650	.02 Electric, Water, Sewer & Solid Waste	161,825	175,000	213,800	213,800	213,800	38,800	22.2%
	Contract/Purchased Services	379,092	522,100	566,500	556,650	560,390	38,290	7.3%
Minor Capital Outlay								
790	.15 Furniture and Fixtures	230	1,000	700	500	1,000	-	0.0%
790	.26 Computers, Printers and Copiers	5,521	4,700	5,000	5,000	4,700	-	0.0%
	Minor Capital Outlay	5,751	5,700	5,700	5,500	5,700	-	0.0%
Interdepartmental Charges								
800	.00 Interdepartmental-Administrative	52,899	56,250	56,250	55,920	53,460	(2,790)	-5.0%
801	.01 Interdepartmental-Human Resources	19,045	19,740	19,740	18,370	27,160	7,420	37.6%
802	.00 Interdepartmental-Finance	111,044	123,970	123,970	117,410	128,890	4,920	4.0%
803	.01 Interdepartmental-Information Tech	41,880	58,140	58,140	56,360	60,820	2,680	4.6%
804	.01 Interdepartmental-Engineering	108,994	116,000	116,000	97,000	134,000	18,000	15.5%
825	.01 Interdepartmental-Insurance	30,932	40,480	42,640	42,640	51,820	11,340	28.0%
850	.04 Interdepartmental-Bldg Rent	25,522	34,640	34,640	34,640	42,477	7,837	22.6%
	Interdepartmental Charges	390,316	449,220	451,380	422,340	498,627	49,407	11.0%
Debt Service								
931	.01 Debt Service-Principal	465,891	486,631	486,631	486,631	493,958	7,327	1.5%
932	.01 Debt Service-Interest	117,597	115,291	115,292	115,292	113,788	(1,503)	-1.3%
	Debt Service	583,488	601,922	601,923	601,923	607,746	5,824	1.0%
Other Costs								
975	.00 Payment in Lieu of Taxes	197,649	197,649	197,649	197,649	212,622	14,973	7.6%
	Other Costs	197,649	197,649	197,649	197,649	212,622	14,973	7.6%
	Total Expenditures by Type	3,268,618	3,763,275	3,972,355	3,876,538	3,934,888	171,613	4.6%

NARRATIVE

500.01 Regular Salaries and Wages: \$984,908 - This account provides expenditures for the cost of the annual wages of the employees of the Water Division.

501.01 Overtime Wages: \$113,000 - 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: \$83,990 - This account provides expenditures for employer contributions for Social Security, Medicare, and other similar payroll related taxes.

506.00 Pension: \$199,070 - This account provides expenditures for employer contributions to retirement plans.

507.00 Health and Life Insurance: \$291,390 - This account provides expenditures for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation: \$27,850 - This account provides expenditures for employer contributions to workers compensation.

508.00 Other Benefits: \$18,100 - 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: \$1,890 - 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: \$4,000 - 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: \$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 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: \$750 - 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: \$5,000 - This account provides expenditures for the purchase and/or replacement of small tools and equipment used by the division.

510.06 Chemicals: \$105,000 - 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: \$20,000 - 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.

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: \$16,000 - This account provides expenditures for the purchase of fuel and lubricants used for the operations of the division's vehicles.

530.02 Periodicals: \$155 - This account provides expenditures for the division's subscription to the *Ketchikan Daily News*.

530.03 Professional and Technical Publications: \$1,450 - 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: \$500 - 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: \$3,000 - This account provides expenditures for the cost associated with training travel incurred by the division.

600.03 Training and Education: \$12,000 - 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.

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: \$18,540 - 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: \$80,000 - This account provides expenditures for services that are not regarded as professional but require technical or specialized knowledge. Recently adopted Federal Regulations require every community water system to complete a new risk and resilience assessment and develop an emergency response plan. Although KPU developed one in the aftermath of 911 and has kept it updated, this legislation includes additional specific requirements particularly in the electronic/cyber security and malevolent act detection fields. 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. The State licensed Carlanna Lake Dam is due for its inspection and relicensing in 2020.

645.02 Rents and Leases - Machinery & Equipment: \$3,000 - This account provides expenditures for the rent and lease of machinery and equipment. This account provides funds to rent certain heavy construction items that are not cost-effective to purchase. Rather than purchase seldom-used equipment needed in water main reconstruction projects, it is more cost-effective to rent.

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: \$213,800 - 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: \$4,700 - 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: \$53,460 - 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: \$27,160 - This account provides expenditures for human resource services provided by the Human Resources Division.

802.00 Interdepartmental Charges - Finance: \$128,890 - 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: \$60,820 - This account provides expenditures for information technology services provided by the Information Technology Department.

804.01 Interdepartmental Charges – Engineering: \$134,000 - This account provides expenditures for engineering services provided by the Public Works Department-Engineering Division.

825.01 Interdepartmental Charges – Insurance: \$51,820 - This account provides expenditures for risk management services and claims.

850.04 Interdepartmental Charges - Building Rent: \$42,477 - This account provides expenditures for the cost of office space at the KPU Administration Building.

931.01 Debt Service-Principal: \$493,958 - This account provides expenditures for principal on revenue bonds and ADEC drinking water loans.

932.01 Debt Service-Interest: \$113,788 - This account provides expenditures for interest on revenue bonds and ADEC drinking water loans.

975.00 Payment in Lieu of Taxes: \$212,622 - This account provides expenditures for payments in lieu of taxes assessed against the enterprise funds of the City.

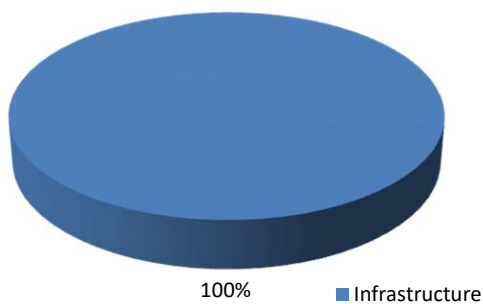
KETCHIKAN PUBLIC UTILITIES
2020 Operating and Capital Budget
Water Division

Capital Budget

Major Capital Outlay	2018	2019 Budget			2020	2019 Adopted/2020	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
720.00 Vehicles and Moving Equipment	59,911	30,000	31,100	31,100	-	(31,100)	-100.0%
730.00 Infrastructure	176,394	3,069,071	3,005,871	393,580	9,356,070	6,286,999	204.9%
Total Major Capital Outlay	236,305	3,099,071	3,036,971	424,680	9,356,070	6,256,999	201.9%

Capital Improvement Projects		Funding Sources			
Project #	Project	KPU	Grants	Bonds	Total
		Enterprise Fund			
730.00 Infrastructure					
	Filtration Facility-Preliminary Prep Tasks	425,000	-	-	425,000
	Schoenbar Water Mains (Charter School - Middle School)	-	-	7,519,499	7,519,499
	Water Meters - Business & Commercial Customers	-	-	1,034,678	1,034,678
	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	3,000	-	-	3,000
	Valley Court Utility Improvements	28,893	-	-	28,893
Total Infrastructure		801,893	-	8,554,177	9,356,070
Total Capital Budget		801,893	-	8,554,177	9,356,070

Expenditures by Type



Expenditures by Funding Source

