

**KETCHIKAN PUBLIC UTILITIES
2022 ANNUAL BUDGET**

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CITY OF KETCHIKAN, ALASKA

RESOLUTION NO. 21-2829

A RESOLUTION OF THE COUNCIL OF THE CITY OF KETCHIKAN, ALASKA APPROPRIATING FROM THE KETCHIKAN PUBLIC UTILITIES ENTERPRISE FUND FOR THE FISCAL YEAR 2022; 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 2022, entitled KETCHIKAN PUBLIC UTILITIES 2022 OPERATING AND CAPITAL BUDGET, is hereby adopted.

Section 2: The sum of \$62,579,140 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, 2022:

Item of Appropriation	Total
General Manager	\$ 335,010
Sales, Marketing & Customer Service	3,147,742
Electric	23,887,614
Telephone	17,163,143
Water	5,110,288
Transfer to KPU Facilities and Infrastructure Replacement Fund	250,000
Appropriated Reserves	12,685,343
Total Appropriations	<u>\$ 62,579,140</u>

Section 3: The sum of \$1,500,000 as shown in the following items of appropriations is appropriated for the Ketchikan Public Utilities Facilities and Infrastructure Replacement Fund of the City of Ketchikan, Alaska for the fiscal year beginning January 1, 2022:

Item of Appropriation	Total
Appropriated Reserves	1,500,000
Total Appropriations	<u>\$ 1,500,000</u>

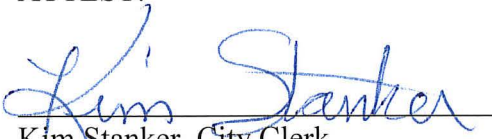
Section 4: This resolution shall become effective immediately upon adoption.

PASSED AND APPROVED by a duly constituted quorum of the City Council for the City of Ketchikan on this 16th day of December, 2021.



Dave Kiffer, Mayor

ATTEST:



Kim Stanker, City Clerk



November 4, 2021

The Honorable David Kiffer
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 2022 Operating and Capital Budget (the "2022 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, 2021. At least one public hearing on the proposed budget is required prior to adoption of the final spending plan.

INTRODUCTION

The 2022 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 2022 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.

<u>Year</u>	<u>Number of Electric Customers</u>	<u>Energy Sales - MWh</u>	<u>Telecom Access Lines</u>	<u>Water Customers</u>
2011	7,443	164,714	7,057	3,247
2012	7,518	172,190	6,434	3,243
2013	7,514	170,282	6,083	3,244
2014	7,606	167,939	5,863	3,162
2015	7,694	163,896	5,723	3,163
2016	7,741	165,107	5,611	3,203
2017	7,799	175,448	5,351	3,220
2018	7,838	167,534	5,274	3,238
2019	7,867	164,000	5,043	3,194
2020	7,866	166,832	4,545	3,192

The growth in electric customers continues to average less than 1% annually since 2011. The demand for energy is generally trending upward but continues to fluctuate annually. Under normal operating conditions, the electric utility's energy sales tend to fluctuate from year-to-year due to variable weather conditions, customer demographics and demand, and the effectiveness of energy conservation measures. In 2017, a new record high of 175,448 MWh was set but was followed by a 10-year low of 164,000 MWh in 2019. The decrease in energy sales in 2019 was caused by a drought that impacted most of Southeast Alaska. During the drought, lake levels reached record lows and utility consumers were encouraged to conserve energy in order to reduce consumption and limit the amount of diesel power required to make up the shortfall.

Over the same period, the number of telecommunication access lines declined on average by about 4.26% annually. Competition from GCI, a full service telecommunications company, and wireless phone carriers have made significant inroads into the local market for telecommunication services. KPU Telecommunications has overcome this loss of customers by expanding into television, internet and wireless services.

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

MAJOR BUDGET AND FISCAL ISSUES

During the course of preparing the proposed KPU budget for the next fiscal year, certain issues were identified that may affect the long-term finances of KPU, its operations and the proposed spending plan for 2022. 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, including rising personnel costs, 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 net income (loss) results of KPU by utility for the past ten years.

2011 - 2020				
Audited				
Year	Total	Electric	Telecom	Water
2011	1,093,603	305,728	1,189,851	(401,976)
2012	(616,243)	193,063	(50,793)	(758,513)
2013	(1,015,060)	(643,319)	711,724	(1,083,465)
2014	(1,324,308)	(995,699)	532,426	(861,035)
2015	(1,669,237)	(910,631)	(66,516)	(692,090)
2016	(1,491,341)	(1,231,491)	149,376	(409,226)
2017	1,731,165	114,926	1,945,067	(328,828)
2018	1,125,607	(1,238,149)	2,786,145	(422,389)
2019	980,548	(658,876)	2,046,612	(407,188)
2020	(146,040)	378,765	(334,263)	(190,542)

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

- The water utility continues to experience operating losses. The loss in 2020 was reduced due to the deferral of capital improvements and one debt service payment for the utilities ADEC loan payments. The State of Alaska offered municipalities the option to defer one payment for each of its six ADEC loans due to the COVID-19 pandemic. Even though these deferrals were made in 2020 and significant progress has been made in reducing the operating deficit of the water utility by rate increases that have been approved by the City Council a deficit still remains. During this period, the water utility has been forced to bear the added cost of deferred maintenance due to the failure of some of its aging infrastructure.
- While 2020 looks like it has improved the electric utility's financial position the utility has done very little to reduce the electric utility's overall net deficit over the last ten years.

The improvement that took place in 2017 was primarily due to the \$1.4 million rebate that was received from SEAPA. The improvement in 2020 was due a number of staff vacancies and the deferral of capital improvements due to the COVID-19 pandemic.

- The telecommunications utility increased its operating costs with the addition of the subsea fiber optic cable that was placed in service in 2020 and the increase in personnel costs due to a compensation plan that was implemented late 2019. The industry it operates within is very dynamic and subject to frequent changes in technology, which requires the utility to use its earnings to upgrade its infrastructure. Historically, the City has followed a strategy of using the earnings of the telecommunications utility to subsidize the electric and water utilities. While this strategy may have worked in prior years, it is becoming more difficult to sustain. A perfect example of this occurred in 2020, with the construction of an undersea fiber optic cable between Ketchikan and Prince Rupert, BC, Canada. The telecommunications utility will need its earnings to make the debt service payments on this new bond, which places the utility as a whole in a more precarious financial position.
- The Summary of Funding by Operating Utility on page C-4 further illustrates the concerns regarding the inadequacies of the current rate structure. This summary shows how each utility is able to cover its operating and capital costs through the rates it charges their customers in 2022. The telecommunications and water utilities are able to cover all of their operating costs and a portion of their capital costs through rates. This schedule does not show is the debt service that is expected upon completion of the Schoenbar Raw Water Main project. Upon completion of this project the water utility will require contributions from reserves for its capital costs due to the increase in debt service costs. The electric utility requires a contribution of \$1.17 million from reserves to cover its operating costs and \$2.93 million for its capital costs in 2022. The electric utility is unable to pay for any of its capital costs from operations and must rely on grants, bonds or reserves. Grant funding is in short supply due to the fiscal challenges facing the State of Alaska. Debt financing is attractive at the moment because the bond markets are currently in a low interest rate cycle. Unfortunately, relying on debt to finance capital improvements will result in interest costs, which are ultimately passed on to the rate payers, and KPU's bond covenants require that for every dollar of debt service, KPU must generate at least \$1.25 of net revenue to satisfy debt service coverage requirements. If current revenues are not sufficient, they must be increased before debt can be issued.

Management continues to recommend that the City Council work towards making each utility capable of standing on its own financially. This is going to be especially critical if the water utility is eventually required to finance and construct a 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 the costs of each utility without subsidies. Consideration should also be given to financing more capital improvements from operations.

Water Filtration: The municipal water system owned and operated by KPU is working with the State of Alaska to avoid filtration and still meet certain water quality standards established by the Environmental Protection Agency and the Alaska Department of Environmental Conservation (ADEC). If an alternative to filtration is not granted, 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, with approximately \$2 to \$3 million in additional annual operating expenditures. In 2020, KPU and ADEC met to discuss options that would eliminate the need to construct an expensive water filtration plant. In May of 2021, KPU entered into a Compliance Order by Consent with ADEC to seek an Alternative to Filtration designation. These discussions are ongoing and no determination has been made if any of options under review would satisfy the water quality standards.

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

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

COVID-19: KPU has fared satisfactorily during the COVID-19 pandemic. Adequate reserves buoyed by the adopted COVID-19 pandemic budget mitigation plan and the need for essential electric, telecommunications and water services has helped to stabilize KPU's finances. The CARES Act distributions to the community by the City and the Borough also played an important role in 2020 by providing additional financial resources to residents and businesses that enabled them to pay their utility bills. In 2021 the Federal Government is working with State agencies to implement various financial assistance programs that allow community members to apply for those programs directly. Once the emergency declaration expires and financial assistance programs come to an end, KPU may see an increase in delinquent accounts. KPU needs to continue to carefully monitor its cash flows. Billable services need to convert to cash so KPU can

pay its employees and vendors. KPU has been aging its receivables monthly and efforts have been made to work with customers to continue to make payments on outstanding balances, but no definitive trends have materialized to suggest that a significant change in KPU's monthly cash flows is occurring with the exception of telecommunications utility customer accounts. The number of accounts that are more than 30 days old has swayed from 818 or 20.5% in December of 2019, to a high of 1,207 or 30% in October of 2020 to a current count of 688 or 16.6% in September of 2021, at the same time the total balance over 30 days was \$200,686 or 20.4%, \$226,589 or 22.0% and \$129,764 or 14.2% respectively. KPU will continue to monitor its cash flows in the event that the situation changes and requires action by the City Council.

SIGNIFICANT BUDGET ASSUMPTIONS

In order to present a complete spending plan for 2022, it was necessary for management to make certain assumptions regarding the operations and finances of KPU. Management recognizes that some of the assumptions will require further direction from the City Council and that the direction provided may result in different assumptions, which could materially affect the proposed spending plan. The key assumptions used to compile the spending plan for 2019 are as follows:

- Staffing levels will remain the same as 2021 except for the addition of one apprentice journeymen for the water utility. Compensation is also expected to remain the same except step increases required by the compensation plan and collective bargaining agreements have been programmed for all eligible employees. No cost of living adjustments have been programmed.
- Most employee benefit costs have not been programmed to increase. There are two key exceptions - health insurance and pensions. The increase in the cost for health insurance will be shared equally between KPU and its non-represented employee and in accordance with a tiered formula for its represented employees. Increases in retirement costs will be limited to rising salaries and wages caused step increases and assumes that the State of Alaska will not raise the current PERS employer contribution rate of 22 percent and the unions will not raise employer contribution rates.
- The Southeast Alaska Power Agency notified the City that it had plans to increase the wholesale power rate of 6.8 cents per kWh to 7.05 cents per kWh, effective June 1, 2021. SEAPA has yet to implement a rate increase but has stated it may be forthcoming. In anticipation of these increases, KPU raised its rates 1.5% to be able to fund the wholesale power rate of 7.05 cents per kWh, effective June 1, 2021.
- There will not be a purchased power rebate from the Southeast Alaska Power Agency in 2021. A Whitman Lake true-up payment has been projected for 2022. Wet weather has increased the odds that the SEAPA owned dam will spill and trigger an annual Whitman Lake true-up payment.

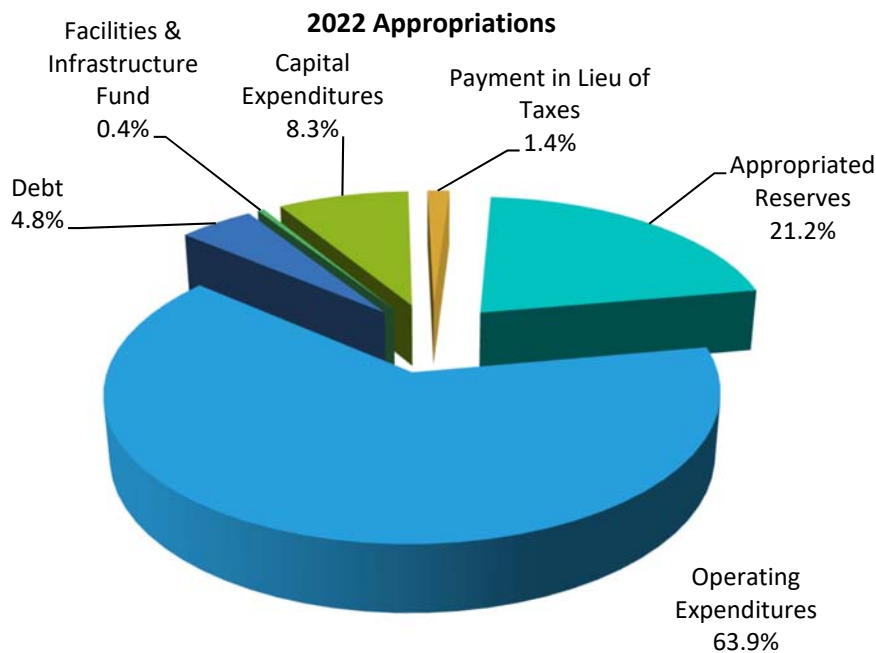
- Rate increases have been programmed for the water utilities and spread over a two year period resulting in a four percent rate increase for the water utility in 2022 and 2023. This rate increase is necessary in order to continue efforts to reduce the water utility longstanding operating deficit, fund the upcoming debt service for the Schoenbar Raw Water Main Replacement and comply with KPU debt covenants.
- Liability, auto, and property insurance premiums have been programmed to increase by 20%, 2.5% and 7.5%, respectively. KPU's liability, auto and property insurance policies expire on July 1, 2022 and, therefore, the renewals overlap the KPU's calendar fiscal year. The increases are due to the addition of a new cyber policy reflecting the increased costs related to cyberattacks, phishing and e-mail fraud in addition to poor claims experience in the property, casualty and liability markets. The rising cost of construction and materials is also having an impact on replacement values. The City has been required to increase its replacement values to ensure that its facilities are adequately insured.
- Workers compensation insurance policies also expire on July 1, 2022 and overlap the KPU's calendar fiscal year. Premiums for workers compensation insurance have been projected to increase by an overall 5% on July 1, 2022. Premiums for workers compensation are based on staffing demographics and the rates set for each employee classification by the National Council on Compensation Insurance. As a result some departments may experience an increase in the cost of workers compensation by more than 5% and others will experience an increase of less than 5%.
- Annual debt service has been programmed to decrease slightly in 2022 due to the refunding of the Electric Division's Whitman bond. Favorable market conditions caused by the COVID-19 pandemic resulted in the lower interest rates that will reduce debt service by \$15,283.
- Divisions were directed to reduce operating expenditures in order to keep the requests for 2022 appropriations at the amounts approved in 2021. Divisions were also directed to reduce capital expenditures by deferring non-essential projects to the extent that such deferrals would not result in substantial deferred maintenance costs.

The Proposed 2022 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 2022 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 2022 ANNUAL OPERATING AND CAPITAL BUDGET

The 2022 Budget includes all operating and support divisions of KPU. The total amount requested for appropriations is \$47.74 million, a decrease of \$9.16 million from the amount appropriated with the adoption of the 2021 Budget. The key components of total appropriations for 2022 and a comparison with 2021 appropriations are as follows:

	2021 Budget	2021 Estimate	2022 Budget
Operating Expenditures	\$ 38,243,207	\$ 36,484,444	\$ 38,916,332
Debt Service	2,919,455	2,919,455	2,904,172
Payment in Lieu of Taxes	786,000	786,000	845,600
Total Cost of Operations	41,948,662	40,189,899	42,666,104
Facilities & Infrastructure Fund	250,000	250,000	250,000
Capital Expenditures	14,951,377	12,860,147	5,075,132
Total Expenditures	57,150,039	53,300,046	47,991,236
Appropriated Reserves	9,860,146	16,777,777	12,917,554
Total Appropriation	<u>\$ 67,010,185</u>	<u>\$ 70,077,823</u>	<u>\$ 60,908,790</u>
Number of Employees	<u>115.50</u>	<u>115.50</u>	<u>116.50</u>



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

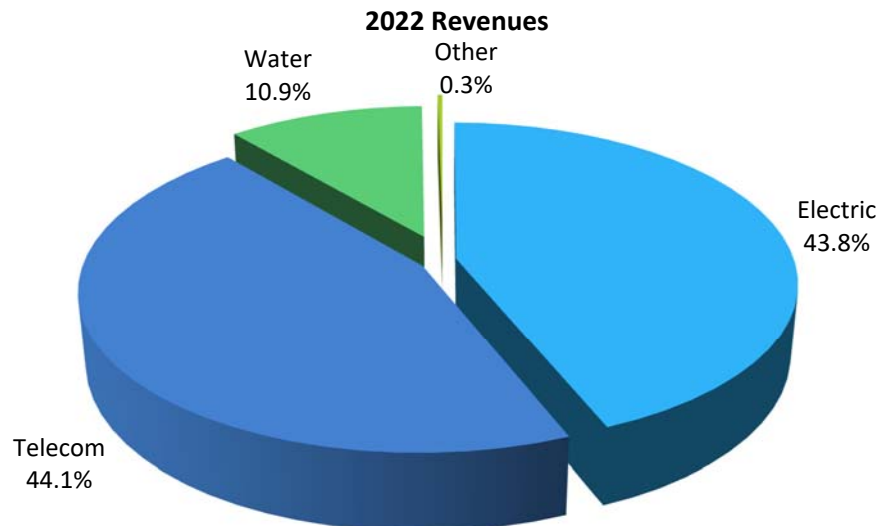
Council mandated financial objectives.

For additional summary information regarding the proposed spending plan for 2022, please refer to the “C” pages in the budget document.

REVENUES

Operating revenues for utility services in the amount of \$43.37 million have been programmed for 2022. The table below identifies the major revenue sources by operating utility.

	2020 Actual	2021 Budget	2021 Estimate	2022 Budget
Electric	\$ 19,004,981	\$ 18,747,600	\$ 19,174,376	\$ 19,057,100
Telecommunications	19,422,852	18,547,000	19,524,700	19,549,800
Water	4,241,034	4,461,450	4,404,900	4,759,500
Other	286,894	124,000	114,000	114,000
Total	<u>\$ 42,955,761</u>	<u>\$ 41,880,050</u>	<u>\$ 43,217,976</u>	<u>\$ 43,480,400</u>



Electric Revenues: The projection for 2022 electric utility revenues is based on a two-year average of energy sales and the projected average electric revenues per kWh, adjusted for rate increases, new loads and other trends such as conversions from heating fuel to electric heat. There are four variables that can significantly affect the consumer demand energy and revenue projections.

- Cold temperatures and high winds increase the demand for electric energy. This occurred in 2017 when cooler weather resulted in record sales of 175,448 MWh of electricity.

Warmer weather decreases demand.

- The general state of the economy. A strong economy usually generates a strong demand for energy. A weak economy has the opposite effect.
- The rise in the price of heating oil can result in some businesses and residents switching from heating their businesses and homes with fuel to electricity.
- Rate increases can trigger conservation efforts which tend to lower the demand for electricity.

In 2020, the electric utility sold 166,832 MWh of energy. The estimate for 2021 is 166,249 MWh and the projection for 2022 is 166,540 MWh. The revenue forecast for 2022 is based on a two-year average of consumption. The table below summarizes the major operating revenues of the Electric Division.

	2020 Actual	2021 Budget	2021 Estimate	2022 Budget
Residential	\$ 8,233,105	\$ 7,816,150	\$ 8,185,700	\$ 8,237,200
Harbor	335,972	330,150	331,000	336,500
Business	7,390,872	7,401,850	7,468,800	7,458,400
Industrial	1,815,107	1,911,850	1,871,400	1,864,200
Yard Lights	61,287	61,200	61,900	62,200
Demand	520,603	543,000	526,200	528,100
Street Lights	131,770	131,900	131,700	131,700
Energy Sales	18,488,716	18,196,100	18,576,700	18,618,300
Diesel Surcharge	(3,994)	-	-	-
Other	520,259	551,500	597,676	438,800
Total	<u>\$ 19,004,981</u>	<u>\$ 18,747,600</u>	<u>\$ 19,174,376</u>	<u>\$ 19,057,100</u>

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

	2020 Actual	2021 Budget	2021 Estimate	2022 Budget
Local Network Services	\$ 1,920,503	\$ 1,847,000	\$ 1,852,400	\$ 1,834,300
Network Access Services	8,285,901	8,046,000	8,348,600	8,243,800
IP Network - DSL and IPTV	5,866,499	5,378,000	6,025,000	6,154,500
4G/LTE	3,069,750	3,075,000	3,081,900	3,081,900
Directory Revenue	116,835	-	6,500	-
Miscellaneous	163,364	201,000	210,300	235,300
Total	<u>\$ 19,422,852</u>	<u>\$ 18,547,000</u>	<u>\$ 19,524,700</u>	<u>\$ 19,549,800</u>

Revenues from local network services continue to decline. The decline in local network services is primarily the result of residential customers dropping wireline phone services and subscribing to broadband only service.

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

Revenues earned by the IP network have been in a holding pattern due to the local market maturing. The telecommunications utility continues to offer new products, technologies and services in order to attract new customers and retain existing customers. For example, there was an increase in the demand for IP network services brought on by more people working or attending school from home. The telecommunications utility will continue to see declines in IPTV revenues as customers drop linear TV in favor of video streaming services such as Netflix, Hulu, AppleTV, and Amazon Video. This has resulted in a nationwide trend that is leading to an increase in the number of customers opting for broadband only service. The telecommunications utility's new undersea fiber cable that was placed in service in October 2020 will increase the utility's ability to meet the current and future bandwidth demands of its customers for at least the next 30 years. Since the activation of the undersea fiber cable has allowed the utility to significantly lower its transport costs, no rate increases for IP product lines have been programmed for 2022.

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

Water Revenues: The operating revenues of the Water Division for 2022 have been projected to increase by \$285,050 from the amount budgeted for 2021. The return of cruise ships in 2022 is expected to generate more water sales revenues by about \$90,000 in 2022 in addition to the 4% rate increase programmed to become effective on April 1, 2022. The table that follows summarizes the major operating revenues of the Water Division.

	2020 Actual	2021 Budget	2021 Estimate	2022 Budget
Residential	\$ 1,863,940	\$ 1,934,200	\$ 1,948,800	\$ 2,031,500
Apartment	395,635	413,000	409,200	426,500
Business	1,427,747	1,491,200	1,498,500	1,562,100
Industrial	101,502	105,500	105,300	109,800
Seafood Processors	343,420	362,100	354,600	369,600
Port	-	77,250	7,600	167,500
Raw Fish Tax	71,207	34,500	34,500	34,500
Miscellaneous	37,583	43,700	46,400	58,000
Total	<u>\$ 4,241,034</u>	<u>\$ 4,461,450</u>	<u>\$ 4,404,900</u>	<u>\$ 4,759,500</u>

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

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

OPERATING EXPENDITURES

Operating expenditures, including debt service and payments in lieu of taxes, in the amount of \$42.6 million have been programmed for 2022, an increase of \$717,442 from the amount appropriated with the adoption of the 2021 Budget. The table below identifies the major operating expenses by division.

	2021 Budget	2021 Estimate	2022 Budget	Net Change Increase (Decrease)
General Manager	\$ 361,947	\$ 333,835	\$ 302,010	(\$59,937)
Sales, Marketing & Customer Service	3,077,059	2,971,935	3,147,742	70,683
Electric	18,979,949	18,252,888	19,318,960	339,011
Telecommunications	15,674,904	15,040,842	15,927,774	252,870
Water	3,854,803	3,590,399	3,969,618	114,815
Total	<u>\$ 41,948,662</u>	<u>\$ 40,189,899</u>	<u>\$ 42,666,104</u>	<u>\$717,442</u>

The increase in 2022 operating budget for KPU is due to an overall increase in the cost of supplies and services needed to operate a utility, the gradual resumption of travel and training budgets that were reduced 75% in 2021 and the proposed increase in the property tax mill rate.

The overall increases to KPU are the primary cause for the electric utility's increase \$339,011 to its operating expenditures from 2021. The division also reclassified two positions which is increasing the wages and benefits associated with the administrative assistant and the senior SCADA technician.

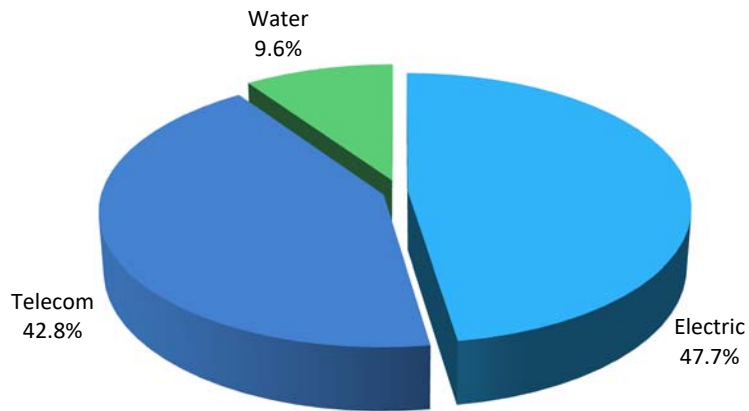
The telecommunications utility is projecting that in 2022, its operating expenditures will increase by almost \$252,870 from 2021. In 2021 the division reduced travel to reduce operating costs and manage cash flow during the COVID-19 pandemic.

The water utility is projecting an increase of about \$114,815 in operating expenditures primarily due the addition of an apprentice/trainee waterman position in anticipation of future retirements.

The Sales, Marketing and Customer Service Division operating expenditures are programmed to increase by \$70,683 from the amount appropriated in 2021. The step increases per collective bargaining agreements is the primary cause for the increase to personnel services and deferred equipment replacements are contributing to the overall increase in 2022 budgeted costs.

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.

2022 Operating Expenses by Utility

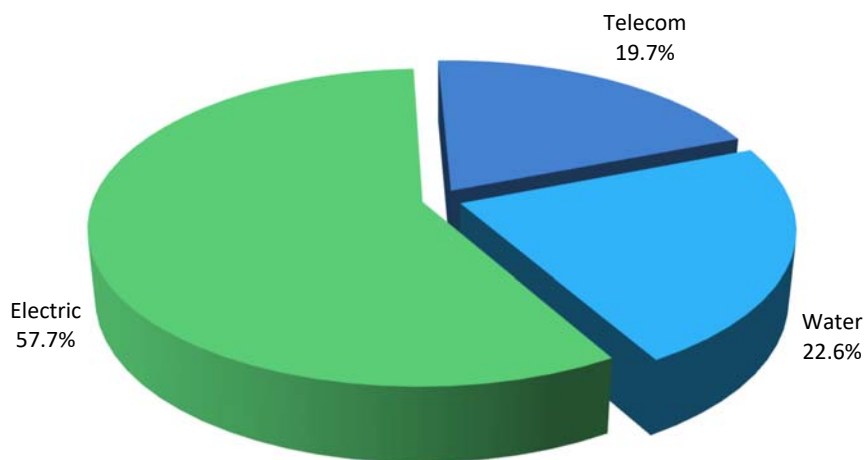


CAPITAL EXPENDITURES

The amount of capital appropriations requested for 2022 is \$5.08 million. The table below identifies the major capital expenses by utility.

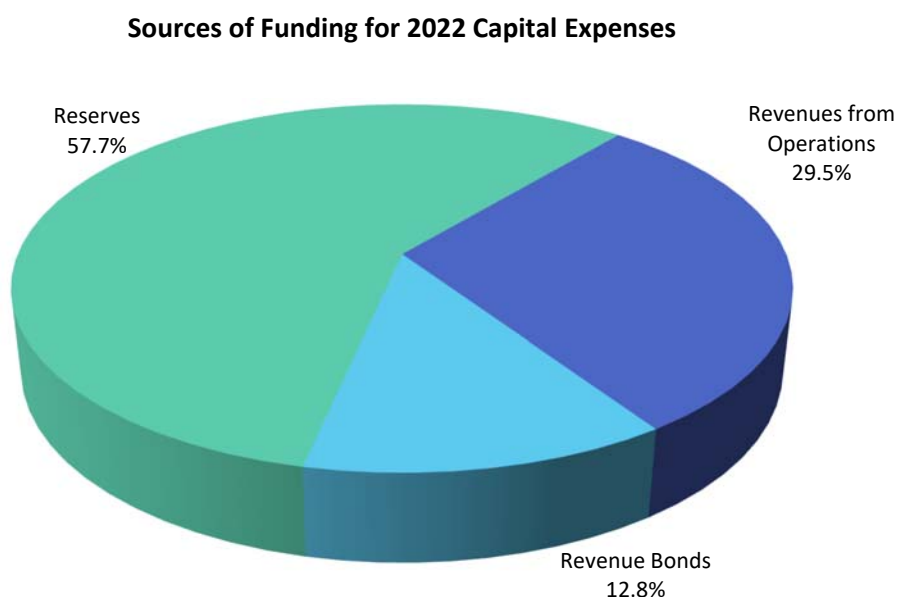
	2021 Budget	2021 Estimate	2022 Budget
Electric	\$ 4,031,000	\$ 2,931,981	\$ 2,929,000
Telecommunications	2,175,000	2,175,000	1,000,000
Water	8,745,377	7,754,166	1,146,132
Total	<u>\$14,951,377</u>	<u>\$12,861,147</u>	<u>\$ 5,075,132</u>

2022 Capital Expenses by Utility



Funding for the proposed capital budget is as follows:

	Amount	Percentage
Revenues from Operations	\$ 1,495,519	29%
Bonds	650,613	13%
Reserves	2,929,000	58%
	<u>\$ 5,075,132</u>	<u>100%</u>



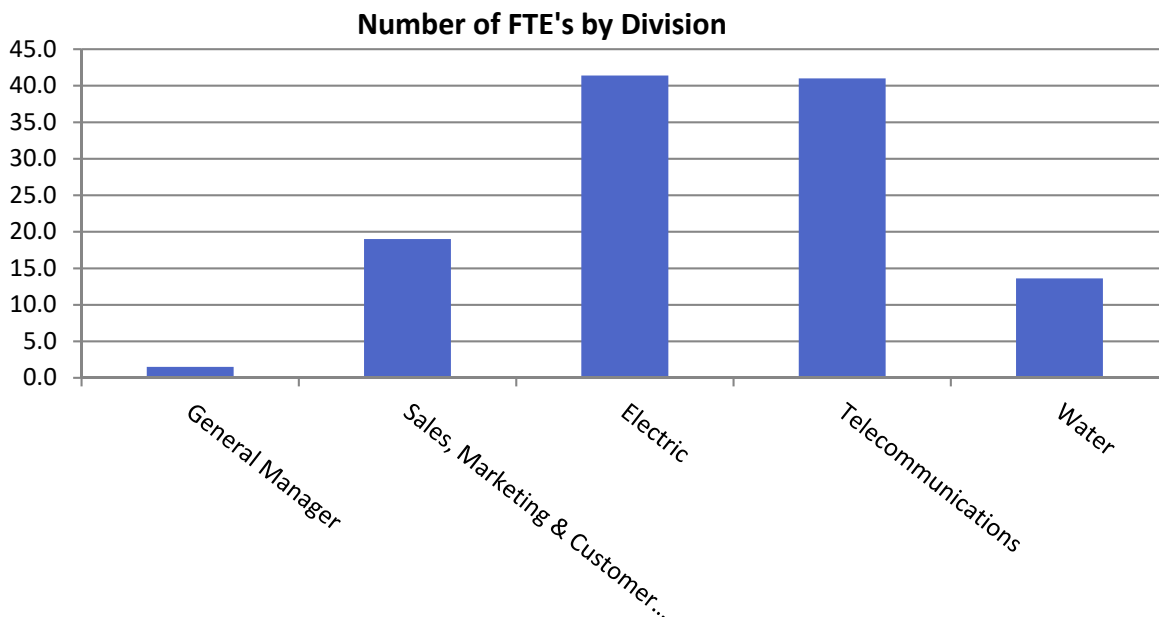
Please see the proposed KPU 2022 - 2026 Capital Improvement Program for information about the projects planned for 2022.

PERSONNEL

The proposed 2022 KPU Budget includes funding for 116.5 full-time equivalent employees (FTE). Staffing has been increased by 1 FTE due to the addition of an apprentice/trainee waterman positions to the staff of the water utility.

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

	2021 Budget	2021 Estimate	2022 Budget
Salaries and Wages - Regular Employees	\$ 9,954,460	\$ 9,265,030	\$ 10,096,364
Salaries and Wages - Temporary Employees	114,000	94,930	115,000
Overtime	661,600	753,690	661,600
Payroll Taxes	820,870	772,500	831,800
Pension	1,806,820	1,636,350	1,827,410
Health and Life Insurance	2,930,250	2,552,210	2,982,680
Workers Compensation	218,450	200,780	191,760
Other Benefits	261,620	270,940	272,790
Allowances	134,870	87,340	138,370
Total	<u>\$ 16,902,940</u>	<u>\$ 15,633,770</u>	<u>\$ 17,117,774</u>
Number of Employees (FTE)	<u>115.50</u>	<u>115.50</u>	<u>116.50</u>



The total cost of personnel for 2022 is projected to increase by \$214,834 to \$17.12 million from the amount appropriated in 2021. Regular salaries and wages are projected to increase by \$141,904 to \$10.1 million as a result of step increases for employees whose compensation is not tied to the journeyman lineman pay scale and the addition of one apprentice/trainee for the

water division. The total increase in the salaries and wages costs has been reduced by staff turnover.

Health insurance costs for 2022 are projected to increase by \$52,430 from what was budgeted in 2021. Health insurance premiums have been projected to rise by 7.8% in 2022. Under its collective bargaining agreements with IBEW, KPU will be required to pay 100% of the first five percent of the increase. The second five percent will be shared equally between KPU and its IBEW represented employees. The addition of an apprentice/trainee positions will also increase the cost of health insurance.

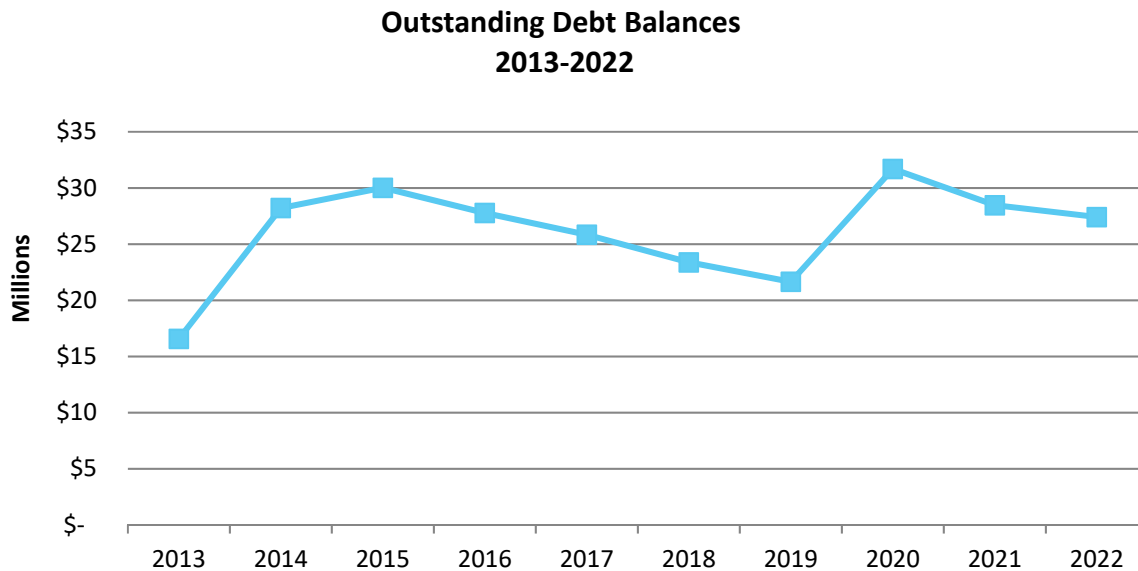
Other benefits such as payroll taxes and pension costs that are based on a percentage of compensation have been programmed to increase because of step increases and added personnel. Since no cost of living adjustments have been programmed they will not be a factor in rising benefit costs.

DEBT

In 2022, KPU will have ten outstanding revenue bond issues and one interfund loan totaling \$27.42 million. The table below summarizes KPU's bond issues that will be outstanding on January 1, 2022 and the debt service requirements for 2022.

Issue	Balance	Final	Type	Debt Service		
	Outstanding January 1, 2022			2021 Budget	2021 Estimate	2022 Budget
ADEC 481021	1,082,484	2032	Revenue	\$ 107,118	\$ 107,118	\$ 107,118
ADEC 481051	3,786,715	2032	Revenue	333,357	333,357	333,357
ADEC 481061	801,328	2032	Revenue	70,544	70,544	70,544
ADEC 481091	70,767	2033	Revenue	6,230	6,230	6,230
ADEC 481121	166,585	2033	Revenue	14,666	14,666	14,666
ADEC 481141	507,833	2035	Revenue	39,100	39,100	39,100
ADEC 481041	549,350	2037	Revenue	36,731	36,731	36,731
Series W - CREB	80,000	2022	Revenue	81,200	81,200	80,600
Series X -Whitman	10,335,000	2032	Revenue	1,058,250	1,049,866	1,044,317
Series Y - Telecom	9,205,000	2038	Revenue	746,050	746,050	745,300
Interfund Loan	831,913	2023	Interfund	426,209	426,209	426,209
Total	<u>\$ 27,416,975</u>			<u>\$ 2,919,455</u>	<u>\$ 2,911,071</u>	<u>\$ 2,904,172</u>

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



Our newest bond, Series Y was issued for a term of 20 years with an effective interest rate of 2.44% through the Alaska Municipal Bond Bank. Series X was refunded in 2021, also through the Alaska Municipal Bond Bank. The interest rates for this bond average approximately 1.32% 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.

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

Total annual debt service in the amount of \$2,904,172 has been programmed in the 2022 Budget. On January 1, 2022, the total debt service required to maturity, including interest of \$6,126,975, will be \$33,543,950. 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 2022 is in compliance. The required fund balance is \$9.94 million and the projected fund balance is \$14.48 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 2022 is 1.57 and satisfies 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 2022 Budget allows for the continuation of important utility services to the community of Ketchikan. Staff believes that this document provides the community and the City Council with the opportunity to begin the process of confronting the challenges that lie ahead for KPU in 2022. Over the next few weeks, staff looks forward to working with the City Council to develop a spending plan that moves the community quickly to the forefront and permits KPU to continue to play an important role in shaping the future of the local economy by providing quality and reliable utility services. Since the COVID-19 pandemic is expected to continue to be a public health emergency in 2022, the monitoring of cash flows remains a high priority in order to ensure that KPU will be well positioned to continue to offer its utility services. The City Council and KPU management should be prepared to take action if events warrant modifications or adjustments to the spending plan presented in the 2022 Budget.

We would both like to take this opportunity to express our appreciation to the division managers and their respective staffs for their assistance during the preparation of the KPU 2022 Operating and Capital Budget. Special thanks go to Financial Analyst Camille Nelson, Executive Assistant Diane Bixby, Senior Electric and Water Accountant Stan Aegerter, Senior Telecommunications Accountant Joe Graham, Senior General Government Accountant Patty Keeley, Treasury and Customer Service Supervisor Meghan Traudt, Grants and Fixed Assets Accountant Cristina Doyle 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,

A handwritten signature in blue ink that reads "Lacey Simpson". The signature is fluid and cursive, with the first name "Lacey" being more prominent than the last name "Simpson".

Lacey G. Simpson
Acting KPU General Manager

A handwritten signature in black ink that reads "Michelle L. Johansen". The signature is cursive and somewhat stylized, with the first name "Michelle" being the most legible part.

Michelle L. Johansen
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 2022.)

KETCHIKAN PUBLIC UTILITIES
2022 Operating and Capital Budget
Revenues and Appropriation Summary

	2021			2022
	Adopted	Amended	Estimate	Budget
KPU Enterprise Fund				
Funds Available, January 1	17,281,458	17,281,458	19,661,783	18,190,527
Revenues:				
Electric	18,747,600	18,747,600	19,174,376	19,057,100
Telecommunications	18,547,000	18,547,000	19,524,700	19,807,400
Water	12,310,127	12,310,127	11,602,964	5,410,113
Other	124,000	124,000	114,000	114,000
Total Revenues	49,728,727	49,728,727	50,416,040	44,388,613
Appropriations:				
Administration	361,947	361,947	298,835	335,010
Sales, Marketing & Customer Service	3,077,059	3,077,059	2,971,935	3,147,742
Electric	23,010,949	23,010,949	20,063,719	23,887,614
Telecommunications	17,849,904	17,849,904	16,958,242	17,163,143
Water	12,600,180	12,630,180	11,344,565	5,110,288
Transfer to Facilities & Infrastructure Replacement Fund	250,000	250,000	250,000	250,000
Total Appropriations	57,150,039	57,180,039	51,887,296	49,893,797
Funds Available, December 31	9,860,146	9,830,146	18,190,527	12,685,343
	2021			2022
	Adopted	Amended	Estimate	Budget

KPU Facilities & Infrastructure Replacement Fund

Funds Available, January 1	1,000,000	1,000,000	1,000,000	1,250,000
Revenues:				
Transfer from KPU Enterprise Fund	250,000	250,000	250,000	250,000
Total Revenues	250,000	250,000	250,000	250,000
Appropriations:				
Transfers to KPU Enterprise Fund				
Total Appropriations				
Funds Available, December 31	1,250,000	1,250,000	1,250,000	1,500,000

KETCHIKAN PUBLIC UTILITIES
2022 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	257,185	2,200,692	6,935,321	5,966,181	1,867,737	17,227,116
Supplies	3,040	102,600	8,149,000	888,500	309,611	9,452,751
Contract/Purchased Services	47,975	787,020	1,525,844	6,361,821	496,925	9,219,585
Minor Capital Outlay	21,000	23,000	32,500	18,000	3,000	97,500
Interdepartmental Charges	5,810	34,430	1,407,950	1,103,220	466,515	3,017,925
Operating Costs Before PILOT and Debt Service	335,010	3,147,742	18,050,615	14,337,722	3,143,788	39,014,877
Payment in Lieu of Taxes			410,932	222,046	212,622	845,600
Operating Costs Before Debt Service	335,010	3,147,742	18,461,547	14,559,768	3,356,410	39,860,477
Debt Service			1,124,917	1,171,509	607,746	2,904,172
Operating Costs Before Allocation of Overhead	335,010	3,147,742	19,586,464	15,731,277	3,964,156	42,764,649
Allocation of Overhead to Operating Utilities:						
General Manager	(335,010)		167,505	150,755	16,750	-
Sales, Marketing & Customer Service		(3,147,742)	818,413	2,203,419	125,910	-
Total Operating Costs	-	-	20,572,382	18,085,451	4,106,816	42,764,649
Major Capital Outlay			4,301,150	1,431,866	1,146,132	6,879,148
Total Expenditures	-	-	24,873,532	19,517,317	5,252,948	49,643,797
Transfer to KPU Facilities and Infrastructure Fund						250,000
Total Appropriations						49,893,797

KETCHIKAN PUBLIC UTILITIES
2022 Operating and Capital Budget
Number of Employees Comparative Schedule

Division	2019	2020	2021			2022	2022 Adopted/2021	
	Actual	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
5100 GENERAL MANAGER	2.50	1.50	1.50	1.50	1.50	1.500	-	0.0%
5110 SALES, MARKETING & CUSTOMER SERVICE	19.00	19.00	19.00	19.00	19.00	19.00	-	0.0%
5200 ELECTRIC								
Administrative	6.00	6.00	6.00	6.00	6.00	6.00		0.0%
Generation Control	7.00	7.00	7.00	7.00	7.00	9.00	2.00	28.6%
Transmission/Distribution	19.40	19.40	19.40	19.40	19.40	19.40	-	0.0%
Mechanical Maintenance	9.00	9.00	9.00	9.00	9.00	9.00	-	0.0%
Swan Lake	4.00	0.00	0.00	0.00	0.00	0.00	-	0.0%
TOTAL ELECTRIC	45.40	41.40	41.40	41.40	41.40	43.40		
Less Personnel Allocated to Swan Lake	(4.00)	-	-	-	-	-	-	0.0%
NET ELECTRIC	41.40	41.40	41.40	41.40	41.40	43.40	2.00	4.8%
5300 TELECOMMUNICATIONS								
Administrative	6.00	6.00	6.00	6.00	6.00	6.00	-	0.0%
Engineering Operations	3.00	4.00	4.00	4.00	4.00	4.00	-	0.0%
Plant Specific Operations	26.00	25.00	25.00	25.00	25.00	25.00	-	0.0%
Plant Non-Specific Operations	6.00	6.00	6.00	6.00	6.00	6.00	-	0.0%
TOTAL TELECOMMUNICATIONS	41.00	41.00	41.00	41.00	41.00	41.00	-	0.0%
5400 WATER	11.60	11.60	12.60	12.60	12.60	13.60	1.00	7.9%
TOTAL KPU EMPLOYEES	119.50	114.50	115.50	115.50	115.50	118.50	3.00	2.6%
Less Personnel Allocated to Swan Lake	(4.00)	-	-	-	-	-	-	0.0%
NET KPU EMPLOYEES	115.50	114.50	115.50	115.50	115.50	118.500	3.00	2.6%

KETCHIKAN PUBLIC UTILITIES
2022 Operating and Capital Budget
Summary of Funding by Operating Utility

	Total	Operating Revenues	Grants	Bonds/ Loans	Other	Reserves
Electric:						
Operating Costs	19,036,533	19,036,533	-	-	-	-
Debt Service	1,124,917	20,567	-	-	57,000	1,047,350
Payment in Lieu of Taxes	410,932	-	-	-	-	410,932
Major Capital Outlay	4,301,150	-	-	-	-	4,301,150
Total	24,873,532	19,057,100	-	-	57,000	5,759,432
Telecommunications:						
Operating Costs	16,691,896	16,691,896	-	-	-	-
Debt Service	1,171,509	1,171,509	-	-	-	-
Payment in Lieu of Taxes	222,046	222,046	-	-	-	-
Major Capital Outlay	1,431,866	1,464,349	-	257,600	57,000	(347,083)
Total	19,517,317	19,549,800	-	257,600	57,000	(347,083)
Water:						
Operating Costs	3,286,448	3,286,448	-	-	-	-
Debt Service	607,746	607,746	-	-	-	-
Payment in Lieu of Taxes	212,622	212,622	-	-	-	-
Major Capital Outlay	1,146,132	652,684	-	650,613	-	(157,165)
Total	5,252,948	4,759,500	-	650,613	-	(157,165)
Facilities & Infrastructure Replacement	250,000	-	-	-	-	250,000
Total	49,893,797	43,366,400	-	908,213	114,000	5,505,184

KETCHIKAN PUBLIC UTILITIES**2022 Operating and Capital Budget****Compliance With Fund Balance Policy, Resolution No. 90-1645 and KPU Bond Covenants**

Description	Amount
Operating Revenues:	
Electric	19,057,100
Telecommunications	19,549,800
Water	4,759,500
Other	114,000
Total Operating Revenues	43,480,400
Operating Costs:	
Personnel Services and Benefits	17,227,116
Supplies	9,452,751
Contract/Purchased Services	9,219,585
Minor Capital Outlay	97,500
Interdepartmental Charges	3,017,925
Payment in Lieu of Taxes	845,600
Total Operating Costs	39,860,477
Net Revenue	3,619,923
Add Back Payment in Lieu of Taxes	845,600
Net Revenue Available for Debt Service	4,465,523
A. Compliance with Fund Balance Policy:	
Total Operating Costs	39,860,477
Reserve Requirement at 25 Percent of Total Operating Costs	9,965,119
Estimated Reserves, December 31, 2022	14,185,343
Over (Under) Reserve Requirement	4,220,224
B. Compliance with the Debt Service Coverage Requirements of Resolution No. 90-1645:	
Net Revenue Available for Debt Service	4,465,523
Debt Service	2,904,172
Debt Service Coverage (Required Debt Service Coverage: 1.50 - 2.0)	1.54
C. Compliance with the Debt Service Coverage Requirements of KPU's Bond Covenants:	
Net Revenue Available for Debt Service	4,465,523
Debt Service	2,904,172
Less Debt Not Subject to Bond Covenants	(1,033,955)
Debt Service Coverage (Required Debt Service Coverage: 1.25)	2.39

KETCHIKAN PUBLIC UTILITIES
2022 Operating and Capital Budget
Annual Debt Service By Utility

Issue	Principal Due	Interest Due	Total Due	Electric Percent	Electric Amount	Telecom Percent	Telecom Amount	Water Percent	Water Amount	Total Percent	Total Amount
Revenue Bond Debt:											
											-
Series W - CREBS	80,000	600	80,600	100.00%	80,600	-	-	-	-	100.00%	80,600
ADEC #481021	89,868	17,250	107,118	-	-	-	-	100.00%	107,118	100.00%	107,118
ADEC #481061	58,743	11,801	70,544	-	-	-	-	100.00%	70,544	100.00%	70,544
ADEC #481051	277,593	55,764	333,357	-	-	-	-	100.00%	333,357	100.00%	333,357
ADEC #481091	5,188	1,042	6,230	-	-	-	-	100.00%	6,230	100.00%	6,230
ADEC #481121	12,212	2,454	14,666	-	-	-	-	100.00%	14,666	100.00%	14,666
ADEC #481141	31,600	7,500	39,100	-	-	-	-	100.00%	39,100	100.00%	39,100
ADEC - 481041	28,597	8,134	36,731	-	-	-	-	100.00%	36,731	100.00%	36,731
Series X - Whitman	865,000	179,317	1,044,317	100.00%	1,044,317	-	-	-	-	-	1,044,317
Series Y - Subsea Fiber Cable	330,000	415,300	745,300	-	-	100.00%	745,300	-	-	-	745,300
	1,778,801	699,162	2,477,963	-	1,124,917	-	745,300	-	607,746	-	2,477,963
Other Debt:											
Advances from Other Funds	394,812	31,397	426,209	-	-	100.00%	426,209	0.00%	-	100.00%	426,209
Total	2,173,613	730,559	2,904,172	-	1,124,917	-	1,171,509	-	607,746	-	2,904,172

KETCHIKAN PUBLIC UTILITIES
2022 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
2022	80,600	107,118	70,544	333,357	6,230	14,666	39,100	1,044,317	36,731	426,209	745,300	2,904,172
2023		107,118	70,544	333,357	6,230	14,666	39,100	1,043,725	36,731	405,704	743,800	2,800,975
2024		107,118	70,544	333,357	6,230	14,666	39,100	1,044,973	36,731		746,550	2,399,269
2025		107,118	70,544	333,357	6,230	14,666	39,100	1,048,656	36,731		748,300	2,404,702
2026		107,118	70,544	333,357	6,230	14,666	39,100	1,044,213	36,731		744,050	2,396,009
2027		107,118	70,544	333,357	6,230	14,666	39,100	1,043,339	36,731		749,050	2,400,135
2028		107,118	70,544	333,357	6,230	14,666	39,100	1,044,101	36,731		747,800	2,399,647
2029		107,118	70,544	333,357	6,230	14,666	39,100	1,042,743	36,731		745,550	2,396,039
2030		107,118	70,544	333,357	6,230	14,666	39,100	1,043,812	36,731		747,300	2,398,858
2031		107,118	70,544	333,357	6,230	14,666	39,100	1,043,996	36,731		747,800	2,399,542
2032		107,115	70,544	333,357	6,230	14,666	39,100	1,047,776	36,731		752,050	2,407,569
2033			70,544	333,357	6,230	14,666	39,100		36,731		749,800	1,250,428
2034			35,272	166,678	3,115	7,333	39,100		36,731		747,000	1,035,229
2035							39,100		36,731		748,400	824,231
2036							19,552		36,731		748,800	805,083
2037									36,731		748,200	784,931
2038									36,731		751,600	788,331
2039											748,800	748,800
											-	-
	80,600	1,178,295	881,800	4,166,962	77,875	183,325	566,952	11,491,651	624,427	831,913	13,460,150	33,543,950

KETCHIKAN PUBLIC UTILITIES
2022 Operating and Capital Budget
Revenue Summary by Utility

Electric Revenues	2020	2021			2022	2021 Adopted/2022	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operating Revenue							
Residential	8,233,105	7,816,150	7,816,150	8,185,700	8,237,200	421,050	5.4%
Harbor	335,972	330,150	330,150	331,000	336,500	6,350	1.9%
Business	7,390,872	7,401,850	7,401,850	7,468,800	7,458,400	56,550	0.8%
Industrial	1,815,107	1,911,850	1,911,850	1,871,400	1,864,200	(47,650)	-2.5%
Yard Lights	61,287	61,200	61,200	61,900	62,200	1,000	1.6%
Large Commercial Demand	330,480	343,800	343,800	333,400	334,300	(9,500)	-2.8%
City Street Lights	131,770	131,900	131,900	131,700	131,700	(200)	-0.2%
Industrial Demand	190,123	199,200	199,200	192,800	193,800	(5,400)	-2.7%
Diesel Fuel Surcharge	(3,994)	-	-	-	-	-	NA
Total Operating Revenue	18,484,722	18,196,100	18,196,100	18,576,700	18,618,300	422,200	2.3%
Other Operating Revenue							
Service Charges	89,949	100,000	100,000	100,000	100,000	-	0.0%
Penalty	27,000	50,000	50,000	73,000	73,000	23,000	46.0%
Pole Rentals - External	69,175	68,900	68,900	69,700	72,000	3,100	4.5%
Pole Rentals - Interdepartmental	153,575	153,600	153,600	153,600	159,800	6,200	4.0%
Reimbursable Projects	71,906	75,000	75,000	25,000	25,000	(50,000)	-66.7%
Hydro Incentive Program	93,776	95,000	95,000	167,376	-	(95,000)	-100.0%
Other Revenue	14,878	9,000	9,000	9,000	9,000	-	0.0%
Total Other Operating Revenue	520,259	551,500	551,500	597,676	438,800	(112,700)	-20.4%
Total Operating Revenue	19,004,981	18,747,600	18,747,600	19,174,376	19,057,100	309,500	1.7%
Nonoperating Revenue							
Grants	-	-	-	-	-	-	NA
Total Nonoperating Revenue	-	-	-	-	-	-	NA
Total Electric Revenue	19,004,981	18,747,600	18,747,600	19,174,376	19,057,100	309,500	1.7%

KETCHIKAN PUBLIC UTILITIES
2022 Operating and Capital Budget
Revenue Summary by Utility

Telecommunications Revenues	2020	2021			2022	2021 Adopted/2022	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Local Network Services							
Business & Residential	813,927	742,000	742,000	769,000	730,600	(11,400)	-1.5%
Local Special Circuits	990,855	991,000	991,000	970,400	993,000	2,000	0.2%
Other Local Revenue	115,721	114,000	114,000	113,000	110,700	(3,300)	-2.9%
Total Local Revenue	1,920,503	1,847,000	1,847,000	1,852,400	1,834,300	(12,700)	-0.7%
Network Access Services							
Interstate Flat Rate End User	598,336	551,000	551,000	620,000	590,000	39,000	7.1%
Interstate Access Charges	4,759,328	4,772,000	4,772,000	4,713,000	4,688,100	(83,900)	-1.8%
Interstate Special Access Charges	1,989,709	1,855,000	1,855,000	2,134,400	2,114,000	259,000	14.0%
Intrastate Access Charges	938,527	868,000	868,000	881,200	851,700	(16,300)	-1.9%
Total Network Access Services Revenue	8,285,901	8,046,000	8,046,000	8,348,600	8,243,800	197,800	2.5%
Miscellaneous							
Directory Revenue	116,835	-	-	6,500	-	-	NA
Miscellaneous Revenue	15,344	72,000	72,000	36,300	46,400	(25,600)	-35.6%
Total Miscellaneous Revenue	132,178	72,000	72,000	42,800	46,400	(25,600)	-35.6%
Nonregulated & Other Revenue							
Customer Premise Eq Sales/Service	24,717	20,000	20,000	5,700	20,000	-	0.0%
Payphone Revenue	-	-	-	-	-	-	0.0%
Long Distance Revenue	97,396	88,000	88,000	103,800	98,500	10,500	11.9%
IP Network	5,866,499	5,378,000	5,378,000	6,025,000	6,154,500	776,500	14.4%
4G LTE	3,069,750	3,075,000	3,075,000	3,081,900	3,081,900	6,900	0.2%
Miscellaneous	25,908	21,000	21,000	64,500	70,400	49,400	235.2%
Total Nonregulated & Other Revenue	9,084,270	8,582,000	8,582,000	9,280,900	9,425,300	843,300	9.8%
Total Operating Revenues	19,422,852	18,547,000	18,547,000	19,524,700	19,549,800	1,002,800	5.4%
Nonoperating Revenue							
Bond Proceeds	10,593,596	-	-	-	257,600	257,600	NA
Total Nonoperating Revenue	10,593,596	-	-	-	257,600	257,600	0.0%
Total Telecommunications Revenue	30,016,449	18,547,000	18,547,000	19,524,700	19,807,400	1,260,400	6.8%

KETCHIKAN PUBLIC UTILITIES
2022 Operating and Capital Budget
Revenue Summary by Utility

Water Revenues	2020	2021			2022	2021 Adopted/2022	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operating Revenue							
Residential	1,863,940	1,934,200	1,934,200	1,948,800	2,031,500	97,300	5.0%
Apartment	395,635	413,000	413,000	409,200	426,500	13,500	3.3%
Business	1,427,747	1,491,200	1,491,200	1,498,500	1,562,100	70,900	4.8%
Industrial	101,502	105,500	105,500	105,300	109,800	4,300	4.1%
Seafood Processors	343,420	362,100	362,100	354,600	369,600	7,500	2.1%
Port	-	77,250	77,250	7,600	167,500	90,250	116.8%
Fire Hydrant	31,401	32,700	32,700	32,600	34,000	1,300	4.0%
Total Operating Revenue	4,163,645	4,415,950	4,415,950	4,356,600	4,701,000	285,050	6.5%
Other Operating Revenue							
Penalty	4,688	10,000	10,000	12,800	23,000	13,000	130.0%
Other Revenue	1,494	1,000	1,000	1,000	1,000	-	0.0%
Raw Fish Tax	71,207	34,500	34,500	34,500	34,500	-	0.0%
Total Other Operating Rev	77,389	45,500	45,500	48,300	58,500	13,000	28.6%
Total Operating Revenue	4,241,034	4,461,450	4,461,450	4,404,900	4,759,500	298,050	6.7%
Water Nonoperating Revenue							
Bond Proceeds	799,184	7,848,677	7,848,677	7,198,064	650,613	(7,198,064)	-91.7%
Total Nonoperating Water Revenue	799,184	7,848,677	7,848,677	7,198,064	650,613	(7,198,064)	-91.7%
Total Water Revenue	5,040,218	12,310,127	12,310,127	11,602,964	5,410,113	(6,900,014)	-56.1%

KETCHIKAN PUBLIC UTILITIES
2022 Operating and Capital Budget
Revenue Summary by Utility

Other Revenues	2020 Actual	2021			2022 Budget	2021 Adopted/2022	
		Adopted	Amended	Estimate		Incr(Decr)	%
Operating Revenue							
Interest Income	188,894	26,000	26,000	16,000	16,000	(10,000)	-38.5%
Gen Gov Billing and Collections	98,000	98,000	98,000	98,000	98,000	-	0.0%
Total Other Operating Revenue	286,894	124,000	124,000	114,000	114,000	(10,000)	-8.1%

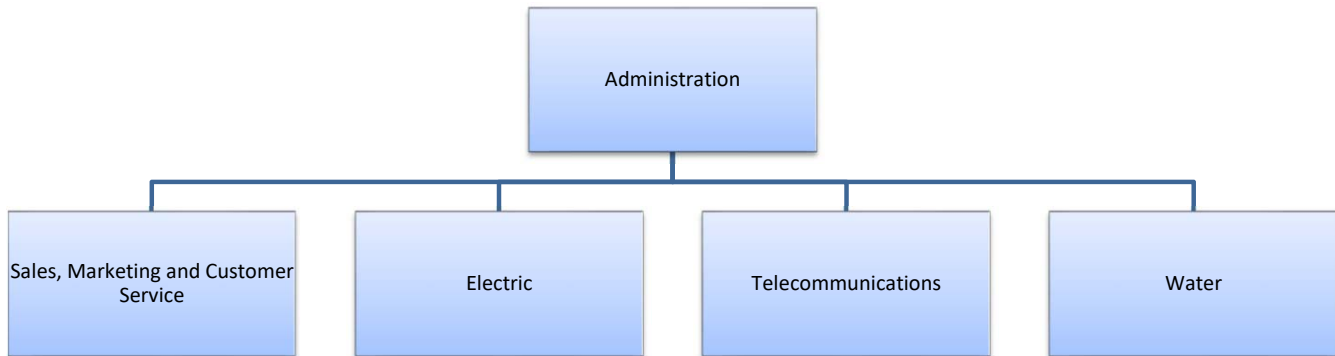
KETCHIKAN PUBLIC UTILITIES
2022 Operating and Capital Budget
Revenue Summary by Utility

All KPU Revenues	2020	2021			2022	2021 Adopted/2022	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operating Revenues							
Electric	19,004,981	18,747,600	18,747,600	19,174,376	19,057,100	309,500	1.7%
Telecommunications	19,422,852	18,547,000	18,547,000	19,524,700	19,549,800	1,002,800	5.4%
Water	4,241,034	4,461,450	4,461,450	4,404,900	4,759,500	298,050	6.7%
Other	286,894	124,000	124,000	114,000	114,000	(10,000)	-8.1%
	42,955,761	41,880,050	41,880,050	43,217,976	43,480,400	1,600,350	3.8%
Nonoperating Revenues							
Electric	-	-	-	-	-	-	NA
Telecommunications	10,593,596	-	-	-	257,600	257,600	NA
Water	799,184	7,848,677	7,848,677	7,198,064	650,613	(7,198,064)	New
Other	-	-	-	-	-	-	NA
	11,392,780	7,848,677	7,848,677	7,198,064	908,213	(6,940,464)	New
Total Revenue - All Divisions	54,348,542	49,728,727	49,728,727	50,416,040	44,388,613	(5,340,114)	-10.7%

CITY OF KETCHIKAN
2022 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 \$49.9 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	2020	2021 Budget			2022	2021 Adopted/2022	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operations	344,374	341,947	341,947	298,835	315,010	(26,937)	-7.9%
Capital Improvement Program	-	20,000	20,000	-	20,000	-	0.0%
Total	344,374	361,947	361,947	298,835	335,010	(26,937)	-7.4%

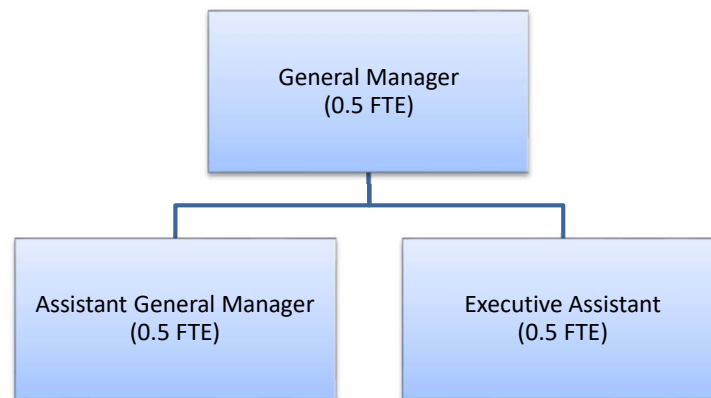
Expenditures by Category	2020	2021 Budget			2022	2021 Adopted/2022	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	333,548	327,282	292,282	288,290	257,185	(70,097)	-21.4%
Supplies	1,491	3,040	3,040	1,565	3,040	-	0.0%
Contract/Purchased Services	3,729	6,975	41,755	4,110	47,975	41,000	587.8%
Minor Capital Outlay	1,462	-	-	-	1,000	1,000	NA
Interdept'l Charges/Reimbursable Credits	4,144	4,650	4,870	4,870	5,810	1,160	24.9%
Major Capital Outlay	-	20,000	20,000	-	20,000	-	0.0%
Total	344,374	361,947	361,947	298,835	335,010	(26,937)	-7.4%

Funding Source	2020	2021 Budget			2022	2021 Adopted/2022	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	344,374	361,947	361,947	298,835	335,010	(26,937)	-7.4%
Total	344,374	361,947	361,947	298,835	335,010	(26,937)	-7.4%

Personnel	2020	2021 Budget		2022		2021 Adopted/2022	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
Administration	1.50	1.50	1.50	1.50	163,775	-	0.0%
Total	1.50	1.50	1.50	1.50	163,775	-	0.0%

MISSION STATEMENT

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



GOALS FOR 2022

- 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 2022 Ketchikan Public Utilities Operating and Capital Budget.
- Continue management oversight of General Government.
- Coordinate and improve citizen participation and public information efforts.
- Coordinate and improve employee outreach and recognition programs.
- Strengthen employee focus on customer service and improvement of all Utility programs and services.
- Encourage team building among staff.
- Work with the City Council, the division managers and the community at large to address unresolved issues that resulted from the COVID-19 pandemic.
- Work with the division managers, in order to move forward with City Council approved Capital Improvement Programs.
- Assist the City Council in the recruitment of a new City Manager/KPU General Manager to replace Karl R. Amylon, who retired August 31, 2021, and assist during the leadership transition period.

- In conjunction with the Human Resources Division, complete recruitment efforts for a new Electric Division Manager to succeed Andy Donato, who is expected to retire by January of 2022.
- Work with the Electric Division Manager to continue the division's modernization program for the diesel generators at the Bailey Power Plant. Evaluate need for additional capacity.
- Continue to work with Telecommunications Division management to take maximum advantage of the recently completed undersea fiber link from Ketchikan to Prince Rupert, British Columbia, including marketing and selling data transmission services to third parties.
- Work with the Alaska Department of Environmental Conservation, Water Division and contractors to complete the tasks outlined in the agreed to Compliance Order by Consent to establish Ketchikan's water system as a Limited Alternative to Filtration system to address excessive coliforms in the raw water supply.
- Work with Water Division and Public Works Department management, in order to undertake replacement of failing Schoenbar Road water and sewer mains.
- Work with the City's State and Federal legislative lobbyists, to access any and all American Rescue Plan Act (ARPA) grant programs administered by the State of Alaska as well as House and Senate Federal funding opportunities, as applicable to Ketchikan Public Utilities projects and initiatives.
- 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 2023 Ketchikan Public Utilities Operating and Capital Budget and the 2023-2027 Capital Improvement Plan. Evaluate traditional service delivery in light of continued reductions to state programs and/or direct assistance to municipalities.

ACCOMPLISHMENTS FOR 2021

- Continued management oversight of General Government.
- Submitted the draft 2022 Ketchikan Public Utilities Operating and 2022-2026 Capital Budget to the City Council for formal consideration and adoption.
- Worked with the City Council, the division managers and the community to address issues associated with the COVID-19 pandemic.
- Served on the Board of Directors of the Southeast Alaska Power Agency.
- Negotiated a Compliance Order by Consent with the Alaska Department of Environmental Conservation as a pathway to meeting Limited Alternative to Filtration water system requirements and in avoidance of the construction of a costly water filtration facility for utility rate payers and the Water Division.
- Worked with Telecommunications Division management and the City Attorney to develop a means by which the General Manager is authorized to sell data transmission services of the completed telecommunications undersea fiber optic cable to third parties.
- Worked with Water Division and Public Works Department management, in order to continue the deployment of water meters for all commercial water and wastewater utility customers.
- Assistant General Manager Lacey Simpson was appointed as Acting General Manager effective August 31, 2021, while the City Council undertakes a recruitment process for a new General Manager.

CITY OF KETCHIKAN
2022 Operating and Capital Budget
General Manager

Administration 5100

- Worked with the Human Resources Division and Victor-Four Labor Relations to successfully negotiate a three-year successor collective bargaining agreement with the International Brotherhood of Electrical Workers, Local 1547 to replace the previous agreement that expired December 31, 2020.
- Continued to participate as staff to the Ketchikan Gateway Borough/City of Ketchikan Cooperative Relations, Lobbying Executive and Legislative Liaison Committees.
- Continued to update and keep current the General Government and Ketchikan Public Utilities' website.

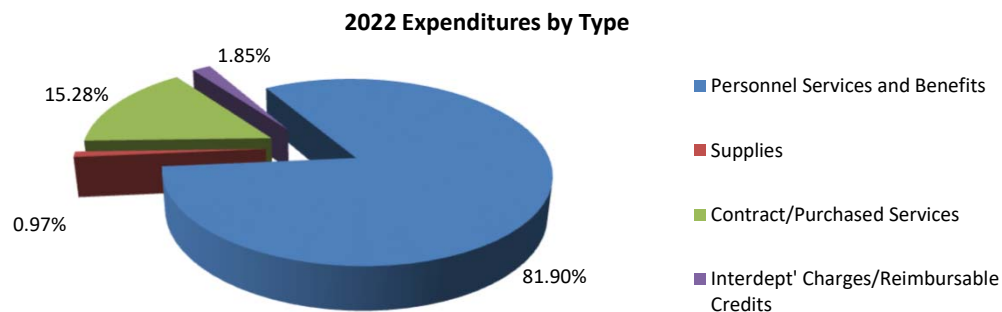
DIVISION SUMMARY

Expenditures by Category	2020	2021 Budget			2022	2021 Adopted/2022	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	333,548	327,282	292,282	288,290	257,185	(70,097)	-21.4%
Supplies	1,491	3,040	3,040	1,565	3,040	-	0.0%
Contract/Purchased Services	3,729	6,975	41,755	4,110	47,975	41,000	587.8%
Minor Capital Outlay	1,462	-	-	-	1,000	1,000	NA
Interdept' Charges/Reimbursable Credits	4,144	4,650	4,870	4,870	5,810	1,160	24.9%
Total Expenditures	344,374	341,947	341,947	298,835	315,010	(26,937)	-7.9%

Funding Source	2020	2021 Budget			2022	2021 Adopted/2022	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	344,374	341,947	341,947	298,835	315,010	(26,937)	-7.9%
Total Funding	344,374	341,947	341,947	298,835	315,010	(26,937)	-7.9%

Personnel	2020	2021 Budget		2022		2021 Adopted/2022	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
General Manager ¹	0.50	0.50	0.50	0.500	31,250	-	0.0%
Acting General Manager	-	-	-	0.375	76,653	0.375	New
Assistant General Manager	0.50	0.50	0.50	0.125	19,435	(0.375)	-75.0%
Executive Assistant	0.50	0.50	0.50	0.500	36,437	-	0.0%
Total	1.500	1.500	1.500	1.500	163,775	-	0.0%

¹ Budgeted salary reflects partial year.



CITY OF KETCHIKAN
2022 Operating and Capital Budget
General Manager

Administration 5100

OPERATING BUDGET CHANGES FOR 2022

Changes between the adopted operating budget for 2021 and the proposed operating budget for 2022 that are greater than 5% and \$5,000 are discussed below:

- Personnel Services and Benefits decreased by \$70,097, or by 21.4%, as a result of the retirement of the General Manager. The decreased was partially offset by costs associated with the amount paid to the Acting General Manager and annual step increases.
- Travel-Business (Account No. 600.01) increased by \$6,000, or by 300%, to reflect half of the projected costs associated with travel expenses for City Manger/KPU General Manager candidate visits during recruitment.
- Management and Consulting Services (Account No. 640.04) increased by \$35,000, to reflect half of the projected costs associated with the services that request specilized skill and knoweldge with respect to the recruitment for a City Manger/KPU General Manager.

Operating Expenditures	2020	2021 Budget			2022	2021 Adopted/2022	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits							
500. 01 Regular Salaries and Wages	217,276	220,282	194,182	190,940	163,775	(56,507)	-25.7%
501. 01 Overtime Wages	280	1,000	250	250	1,000	-	0.0%
502. 01 Temporary Wages	2,270	1,000	250	250	2,000	1,000	100.0%
505. 00 Payroll Taxes	13,755	17,010	14,860	14,520	12,760	(4,250)	-25.0%
506. 00 Pension	50,274	48,470	42,070	41,690	36,850	(11,620)	-24.0%
507. 00 Health and Life Insurance	33,259	34,320	28,820	28,790	25,770	(8,550)	-24.9%
507. 30 Workers Compensation	635	650	670	670	450	(200)	-30.8%
508. 00 Other Benefits	15,499	4,250	10,880	10,880	4,280	30	0.7%
509. 07 Allowances-Moving Expense Taxed	-	-	-	-	10,000	10,000	NA
509. 10 Allowances-Add'l Life Benefit	300	300	300	300	300	-	0.0%
Personnel Services and Benefits	333,548	327,282	292,282	288,290	257,185	(70,097)	-21.4%
Supplies							
510. 01 Office Supplies	726	750	750	750	750	-	0.0%
515. 01 Vehicle Maintenance Materials	374	400	400	400	400	-	0.0%
520. 02 Postage	37	100	100	50	100	-	0.0%
525. 04 Motor Vehicle Fuel & Lubricants	200	625	625	200	625	-	0.0%
530. 02 Periodicals	95	165	165	165	165	-	0.0%
535. 02 Business and Meal Expenses	59	1,000	1,000	-	1,000	-	0.0%
Supplies	1,491	3,040	3,040	1,565	3,040	-	0.0%
Contract/Purchased Services							
600. 01 Travel-Business	873	2,000	2,000	900	8,000	6,000	300.0%
605. 01 Advertising & Public Announcements	-	-	-	-	-	-	NA
615. 02 Assn Membership Fees & Dues	577	1,825	1,825	600	1,825	-	0.0%
630. 02 Vehicle Licenses	15	50	50	10	50	-	0.0%
635. 07 Machinery & Equip Maint Services	-	1,000	780	500	1,000	-	0.0%
635. 12 Technical Services	-	100	100	100	100	-	0.0%
640. 04 Management & Consulting Services	-	-	35,000	-	35,000	35,000	NA
650. 01 Telecommunications	2,264	2,000	2,000	2,000	2,000	-	0.0%
Contract/Purchased Services	3,729	6,975	41,755	4,110	47,975	41,000	587.8%
Minor Capital Outlay							
790. 26 Computers, Printers & Copiers	1,462	-	-	-	1,000	1,000	NA
Minor Capital Outlay	1,462	-	-	-	1,000	1,000	NA

CITY OF KETCHIKAN
2022 Operating and Capital Budget
General Manager

Administration 5100

Operating Expenditures	2020	2021 Budget			2022	2021 Adopted/2022	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Interdepartmental Charges							
825. 01 Interdept'l Charges-Insurance	4,144	4,650	4,870	4,870	5,810	1,160	24.9%
Interdepartmental Charges	4,144	4,650	4,870	4,870	5,810	1,160	24.9%
Total Expenditures by Type	344,374	341,947	341,947	298,835	315,010	(26,937)	-7.9%

NARRATIVE

500.01 Regular Salaries and Wages: \$163,775 – This account provides expenditures for the cost of the annual salaries paid to the employees of the General Manager's Office.

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

502.01 Temporary Wages: \$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: \$12,760 – This account provides expenditures for employer contributions to Social Security and Medicare and other similar payroll taxes.

506.00 Pension: \$36,850 – This account provides expenditures for employer contributions to retirement plans.

507.00 Health and Life Insurance: \$25,770 – This account provides expenditures for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation: \$450 – This account provides expenditures for employer contributions to workers compensation.

508.00 Other Benefits: \$4,280 – 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.

509.07 Allowances-Moving Expense: \$10,000 - This account provides for half of the projected expenditures to relocate a new City Manager/KPU General Manager to Ketchikan.

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

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

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

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

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

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

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

600.01 Travel-Business: \$8,000 – This account provides expenditures for the cost associated with the business travel by the General Manager and office staff. Included are half the expenses incurred for City Manager/KPU General Manager candidate visits during recruitment.

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.

640.04 Management and Consulting Services: \$35,000 – This account provides expenditures for the cost of services provided to assist the City with specialized skills and knowledge.

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.

790.26 Minor Computers, Printers & Copiers: \$1,000 – This account provides for half of the purchase costs for new desktop computer for the Assistant General Manager and two UPS backup batteries for the Assistant General Manager and Executive Assistant per the replacement schedule developed by the Information Technology Department.

825.01 Interdepartmental Charges-Insurance: \$5,810 – This account provides expenditures for the cost of risk management services.

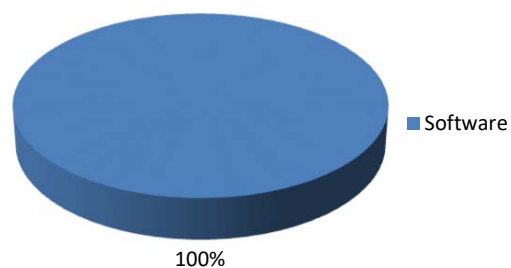
CITY OF KETCHIKAN
2022 Operating and Capital Budget
General Manager

Capital Budget

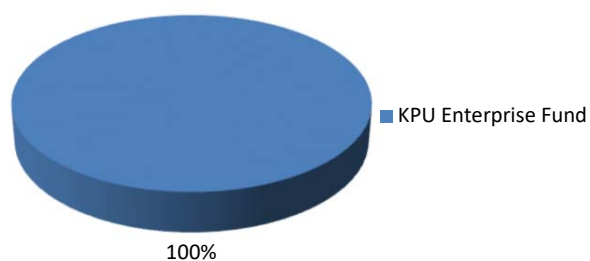
Major Capital Outlay	2020 Actual	2021 Budget			2022 Budget	2021 Adopted/2022	
		Adopted	Amended	Estimate		Incr(Decr)	%
735-00 Software	-	20,000	20,000	-	20,000	-	0.0%
Total Major Capital Outlay	-	20,000	20,000	-	20,000	-	0.0%

Capital Improvement Projects		Funding Sources			Total
Project #	Project	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

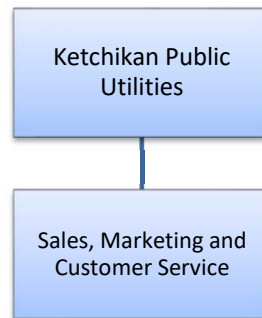


Expenditures by Funding Source



KETCHIKAN PUBLIC UTILITIES**2022 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	2020	2021 Budget			2022	2021 Adopted/2022	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operations	2,948,279	3,077,059	3,077,059	2,971,935	3,147,742	70,683	2.3%
Total	2,948,279	3,077,059	3,077,059	2,971,935	3,147,742	70,683	2.3%

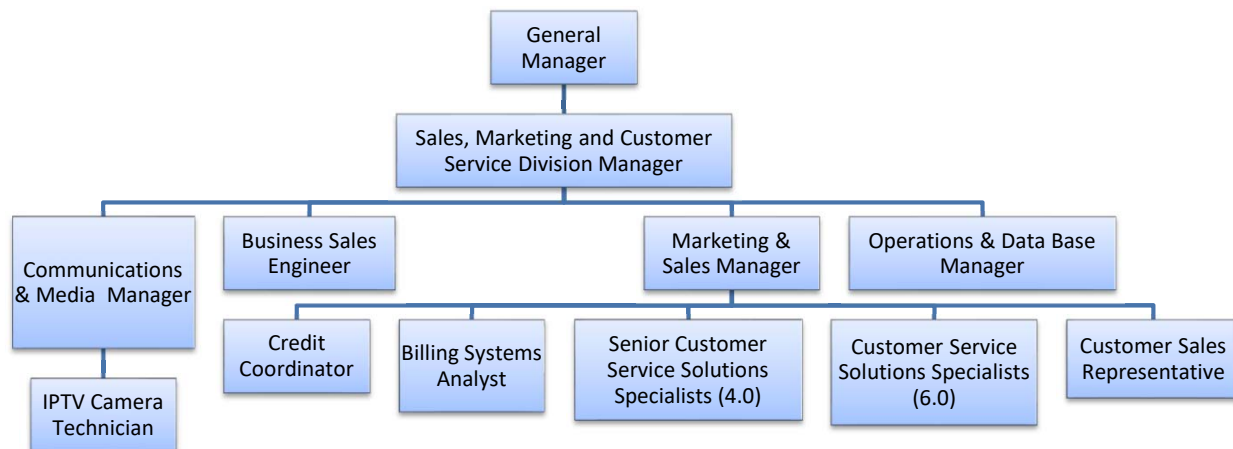
Expenditures by Category	2020	2021 Budget			2022	2021 Adopted/2022	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	2,065,732	2,168,999	2,153,999	2,068,060	2,200,692	31,693	1.5%
Supplies	106,646	100,400	100,400	95,580	102,600	2,200	2.2%
Contract/Purchased Services	727,515	772,980	786,540	772,775	787,020	14,040	1.8%
Minor Capital Outlay	26,112	7,250	7,250	6,650	23,000	15,750	217.2%
Interdepartmental Charges-Public Safety	(2,685)	-	-	-	-	-	NA
Interdepartmental Charges-Insurance	24,959	27,430	28,870	28,870	34,430	7,000	25.5%
Total	2,948,279	3,077,059	3,077,059	2,971,935	3,147,742	70,683	2.3%

Funding Source	2020	2021 Budget			2022	2021 Adopted/2022	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	2,948,279	3,077,059	3,077,059	2,971,935	3,147,742	70,683	2.3%
Total	2,948,279	3,077,059	3,077,059	2,971,935	3,147,742	70,683	2.3%

Full-time Equivalent Personnel	2020	2021 Budget		2022		2021 Adopted/2022	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
Operations	19.00	19.00	19.00	19.00	1,252,412	-	0.0%
Total	19.00	19.00	19.00	19.00	1,252,412	-	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 2022

- Achieve continued growth in residential and business internet, as well as business product categories within Telecommunications. Build and maintain Verizon Wireless sales. KPU's new dedicated fiber optic cable and Gig speeds will allow KPU to continue to upgrade existing customers and to aggressively pursue customers who are not with KPU. Design new cohesive 15 and 30 second video ads for web/TV/radio focusing on KPU's Internet speed & reliability.
- Focus on KPU's unique strengths in advertising: local support/management, superior customer service, exclusive fiber optic symmetric unlimited Internet, hosted business systems, wireless phones and superior fiber to the home network. Continue to increase web and digital advertising. Rotate ideas/messages and ensure that ideas stay fresh.
- Design new campaign to sell residential managed WIFI which will benefit the customer by letting them know when devices need upgrades and which will allow them to manage their own internet connected devices.
- Produce weekly updates advertising KPU's exclusive local video content on social media and in print.
- Highlight KPU's strong and successful business offerings by emphasizing professional business techs/specialized products in media and on the website. Market new features, such as hosted/managed cameras, WIFI, mobile IP, hoteling, and other hosted products to new and existing Hosted IP customers and businesses.
- Continue to work with the Telcommunications Division to expand KPUtv's product line to include multi-screen and/or Over the Top Video Services (MyTv) to maintain and grow video customers.
- Continue to revamp and re-energize the KPU Telecommunications Division website through monthly updates and rotating banner ads.

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

ACCOMPLISHMENTS FOR 2021

- In 2021, the Division successfully continued to sell Verizon branded cellular equipment and provided technical assistance to thousands of local Verizon customers and seasonal visitors. Unit sales have been significantly higher for 2021 than 2020, despite the pandemic. KPU's Device sales are projected to be at least 30% higher than 2020 and 15% higher than 2019. Verizon technical assistance remained important, although employees were unable to assist as often in-person. During times of shut down staff trouble shot issues over the phone or occasionally met a customer outside the Plaza Mall or KPU Customer Service offices.
- Year to date 2021, the Division has achieved growth in the following categories; +4% in Internet sales, +1% in TV, and +12% in customers opting for unlimited data. This is despite customers trimming and cancelling services to save money. The addition of standalone internet contributed to the retention and growth in internet. Standalone allowed KPU to both gain and retain customers who no longer wanted a phone line.
- Achieved a +18% growth in Hosted Business systems including VOIP phone system, managed WIFI, managed firewall, managed security camera, and managed data center sales in an already strong market. KPU's hosted products are powerful, cutting edge systems that can be deployed in very small to extraordinarily large businesses. Selling hosted products is a key strategic initiative, ensuring long-term retention of KPU's critical business customers. In 2018, the Sales and Marketing staff engineered the ability to deliver the hosted service over satellite to connect a distant business location to an on-island site. This led to an install of a remote business in 2019 and has led to expansions to other near markets. KPU completed two remote installations in 2021 despite the pandemic.

- 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 20 complex phone and local area circuit/network jobs for businesses in the community in a timely and accurate manner, without disruption of business, despite the pandemic.
- The Business Sales Engineer successfully negotiated the winback of several local hospitality businesses for TV, as well as internet. Key to these winbacks was KPU's stable internet, suite of hosted products, and strong customer service. Marketing staff were able to successfully sign contracts for enterprise level internet, fiber connectivity, and data storage with several large local organizations.
- KPU Customer Service and the Credit department responded to the COVID-19 pandemic by working with customers to avoid late fees, and prevent disconnects by signing a COVID-19 impact waiver that would allow them to not pay the late fees and would allow them to avoid disconnect during the pandemic. This expired in April 2021. Individual letters in special labeled envelopes were hand-compiled and sent to over 5,000 customers. KPU Credit department worked with delinquent customers to set up repayment plans beginning in April so that disconnects, and late fees would be avoided.
- KPU Marketing staff successfully managed the media creation and the majority of the media plan for the local Emergency Operations Center (EOC) COVID-19 Public Information Office. This group was tasked with educating the community in ways to prevent the spread of COVID-19, to provide resources, answer questions, disseminate state health information, communicate state mandates, educate on the vaccine, and how to find a clinic. Work consisted of the following: 430 media posts with imagery for social media, more than 260 press releases, more than 30 different posters, four different community wide mailers, 8 different 6 to 12 foot banners which were used in key areas around the community, more than 30 PSAs, as well as dozens of posters and flyers. Also KPU bill envelope messaging was implemented and educational videos produced. A special COVID phone hotline was established and manned by the KPU Sales and Marketing Division manager 24/7. This work was done in addition to the normal job responsibilities performed by the Marketing staff. The operations of the Emergency Operations Center ended in July 2021.
- KPU Sales and Marketing continued to update the KPU Telecommunications website, www.kputel.com, on a monthly basis. New for 2021 was the update of the bandwidth calculator to reflect KPU's new faster speeds. Marketing also edited the Electric and Water Department portions of the City website, and helped to create and edit the Ketchikan Coast Guard City page on the City's website.
- KPUtv purchased an additional mobile live streaming computer and re-engineered the software so that the KPUtv crew could livestream the multitude of important community meetings on TV, You Tube and/or Facebook. This also allowed KPU to livestream Kayhi Sports both indoors and out of doors, so the community could virtually watch events since in many cases, spectators were not permitted. This included the SE Basketball tournament, held in March 2021.
- KPUtv staff live-filmed all regular and special City Council meetings as well as other public meetings which aired on KPUtv, the City website, YouTube as well as via Facebook live-stream.
- KPUtv created a series of "Shop Local" videos showcasing local businesses and their products. These were intended to educate the community about alternate shopping experiences local businesses were offering, such as purchasing through Instagram, as well as local specials for residents. The intent was to encourage local shopping vs. online. More than a dozen local businesses were featured.
- The KPUtv crew partnered with the local Arts Council as well as the First City Players to film and create "virtual" events due to the ongoing pandemic. The annual Divas and Divos was filmed and featured as an event behind an online paywall that benefited First City Players. KPUtv filmed several of prior years' Wearable Art Show pieces to create a "sizzle" reel video to promote the Wearable Art Show, and then followed up with a multi-day shoot in The Mill at Ward Cove featuring the 2021 artists. Special effects, multiple cameras, including a drone, and in depth interviews resulted in an amazing film that the Arts Council used for a premier at the Coliseum Theater, as well as on-line behind a paywall that benefited the Arts Council.

- KPUtv continues to have high numbers of engagement and views of its video content on social media. Videos have reaches of 20,000 or more for some. Organic reach for KPUtv's content is 8,000 and average views are over 1,600. The reach is well beyond the community of Ketchikan.
- KPU marketing and KPUtv produced a Ketchikan CARES video commercial for the Alaska Municipal League describing the City and Borough's efforts and cooperation in successfully distributing CARES monies to the community.
- KPU agreed to film and live-stream the 2021 Kayhi graduation in the Kayhi gym, when the event could have no spectators due to the high COVID numbers. This required three camera people shooting at different angles so that all perspectives of the graduates could be seen. The entire graduation was live on KPUtv, Facebook, and the School Website.
- The KPU Marketing staff partnered with other City management to create a virtual Holiday tree lighting event for the community in late 2020. This included a custom story "Reindeer in Rainboots" which was read aloud, at-home cookies and craft ideas, "live music" and the actual virtual lighting of the holiday tree. A live Santa tour on firetrucks throughout the community ended the event. The Marketing staff are spearheading the event again for the 2021 holiday season, preparing for the option of a live tree lighting and also a virtual option.
- 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.
- KPU Sales and Marketing promoted six individuals to other positions within KPU and the City in the last year, which is indicative of the KPU Sales, Marketing & Customer Service Division's ability to hire and train quality individuals. Currently there are 12 employees in the City/KPU who began employment in Customer Service.
- 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 and hosting live-streaming events for City Council meetings and other public informational meetings.

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

KETCHIKAN PUBLIC UTILITIES
2022 Operating and Capital Budget
Sales, Marketing and Customer Service

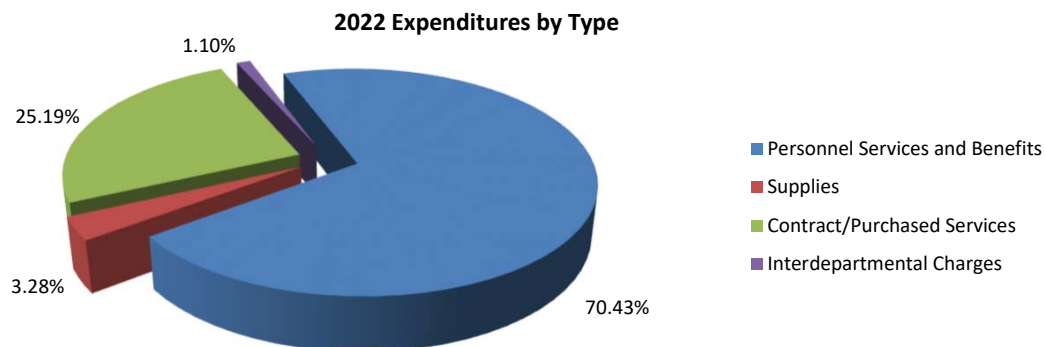
Operations 5110

DIVISION SUMMARY

Expenditures by Category	2020	2021 Budget			2022	2021 Adopted/2022	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	2,065,732	2,168,999	2,153,999	2,068,060	2,200,692	31,693	1.5%
Supplies	106,646	100,400	100,400	95,580	102,600	2,200	2.2%
Contract/Purchased Services	727,515	772,980	786,540	772,775	787,020	14,040	1.8%
Minor Capital Outlay	26,112	7,250	7,250	6,650	23,000	15,750	217.2%
Interdepartmental Charges-Public Safety	(2,685)	-	-	-	-	-	NA
Interdepartmental Charges	24,959	27,430	28,870	28,870	34,430	7,000	25.5%
Total Expenditures	2,948,279	3,077,059	3,077,059	2,971,935	3,147,742	70,683	2.3%

Funding Source	2020	2021 Budget			2022	2021 Adopted/2022	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	2,948,279	3,077,059	3,077,059	2,971,935	3,147,742	70,683	2.3%
Total Funding	2,948,279	3,077,059	3,077,059	2,971,935	3,147,742	70,683	2.3%

Full-time Equivalent Personnel	2020	2021 Budget		2022		2021 Adopted/2022	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
SM & CS Manager	1.00	1.00	1.00	1.00	132,137	-	0.0%
Business Sales Engineer	1.00	1.00	1.00	1.00	84,261	-	0.0%
Marketing & Sales Manager	1.00	1.00	1.00	1.00	83,046	-	0.0%
Local Content, Social Media & PR Manager	1.00	1.00	1.00	1.00	71,247	-	0.0%
Database Manager	1.00	1.00	1.00	1.00	71,584	-	0.0%
IPTV Camera Technician	1.00	1.00	1.00	1.00	59,114	-	0.0%
Credit Coordinator	1.00	1.00	1.00	1.00	69,822	-	0.0%
Billing System Analyst	1.00	1.00	1.00	1.00	69,514	-	0.0%
Senior Customer Solutions Specialist	4.00	4.00	4.00	4.00	238,889	-	0.0%
Customer Solutions Specialist	6.00	6.00	6.00	6.00	324,646	-	0.0%
Customer Sales Rep I	1.00	1.00	1.00	1.00	48,152	-	0.0%
Total	19.00	19.00	19.00	19.00	1,252,412	-	0.0%



KETCHIKAN PUBLIC UTILITIES
2022 Operating and Capital Budget
Sales, Marketing and Customer Service

Operations 5110

OPERATING BUDGET CHANGES FOR 2022

Changes between the adopted operating budget for 2021 and the proposed operating budget for 2022 that are greater than 5% and \$5,000 are discussed below.

- Other Benefits (Account No. 508.00) increased by \$9,560, or by 39.7%, due to unemployment benefits, accrued vacation and sick leave usage.
- Travel-Business (Account No. 600.01) increased by \$6,400, due to the need for the Division Manager to attend NTCA marketing/board meetings.
- Technical Services (Account No. 635.12) decreased by \$12,880 or by 28.1%, to reflect the shift of these expenses to Management and Consulting Services (Account 640.04) to more accurately reflect coding of expenses.
- Management and Consulting Services (Account No. 640.04) increased by \$13,000, or by 11.3%, due to account shift of expenses from Technical Services (Account No. 635.12)
- Machinery & Equipment (Account No. 790.25) increased by \$8,650, or by 432.5%, due to the need for replacement batteries, waterproof covers for cameras, a gimbal for holding the camera, replacement lights, replacement microphones, and a folding cart for equipment.
- Computers, Printer & Copiers (Account No. 790.26) increased by \$7,100, or by 177.5%, due to the need to replace 6 computers, and a printer, per the replacement schedule developed by the Information Technology Department.
- Interdepartmental - Insurance (Account No. 825.01) increased by \$7,000, or by 25.5%, to reflect increased insurance premiums.

DIVISION OPERATING BUDGET DETAIL

Operating Expenditures			2020	2021 Budget		2022	2021 Adopted/2022		
			Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits									
500	.01	Regular Salaries and Wages	1,175,457	1,234,359	1,231,659	1,193,670	1,252,412	18,053	1.5%
501	.01	Overtime Wages	21,115	31,500	31,500	25,000	31,500	-	0.0%
502	.01	Temporary Wages	42,229	28,500	28,500	28,500	28,500	-	0.0%
505	.00	Payroll Taxes	93,392	99,020	99,020	95,780	100,400	1,380	1.4%
506	.00	Pension	235,255	246,560	246,560	234,290	250,880	4,320	1.8%
507	.00	Health and Life Insurance	447,570	477,740	462,740	439,510	476,440	(1,300)	-0.3%
507	.30	Workers Compensation	3,663	3,750	3,750	3,530	3,430	(320)	-8.5%
508	.00	Other Benefits	26,335	24,070	26,770	26,760	33,630	9,560	39.7%
509	.07	Allowances-Moving Expense	4,730			-	-	-	NA
509	.09	Incentive Pay	15,986	23,000	23,000	20,900	23,000	-	0.0%
509	.12	Allowances-Vehicles	-	500	500	120	500	-	0.0%
Personnel Services and Benefits			2,065,732	2,168,999	2,153,999	2,068,060	2,200,692	31,693	1.5%

KETCHIKAN PUBLIC UTILITIES
2022 Operating and Capital Budget
Sales, Marketing and Customer Service

Operations 5110

Operating Expenditures		2020	2021 Budget			2022	2021 Adopted/2022	
		Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Supplies								
510	.01 Office Supplies	17,707	19,000	19,000	18,500	19,000	-	0.0%
510	.02 Operating Supplies	5,739	9,000	9,000	8,300	9,000	-	0.0%
510	.03 Safety Program Supplies	1,890	200	200	-	200	-	0.0%
510	.04 Janitorial Supplies	1,230	3,300	3,300	1,200	2,500	(800)	-24.2%
510	.05 Small Tools & Equipment	498	-	-	-	-	-	NA
515	.01 Vehicle Maintenance Materials	1,617	1,000	1,000	700	1,000	-	0.0%
515	.02 Bldg and Grounds Maintenance	38	-	-	-	-	-	NA
520	.02 Postage	10,242	3,000	3,000	2,950	3,000	-	0.0%
520	.03 Bulk Mailing	64,071	62,000	59,500	59,150	65,100	3,100	5.0%
520	.04 Materials & Supplies	64	-	2,500	2,500	-	-	NA
525	.04 Vehicle Motor Fuel & Lubricants	240	500	500	500	500	-	0.0%
530	.02 Periodicals	-	300	300	180	200	(100)	-33.3%
530	.03 Professional & Technical Publications	161	-	-	-	-	-	NA
535	.02 Allowances-Business and Meal Expense	799	1,100	1,100	1,100	1,100	-	0.0%
535	.04 Allowances-Uniforms/Clothing/Badges	2,350	1,000	1,000	500	1,000	-	0.0%
	Supplies	106,646	100,400	100,400	95,580	102,600	2,200	2.2%
Contract/Purchased Services								
600	.01 Travel-Business	4,225	-	-	-	6,400	6,400	NA
600	.02 Travel-Training	-	-	-	-	4,000	4,000	NA
600	.03 Travel-Training and Education	11,801	10,000	10,000	10,000	12,000	2,000	20.0%
605	.01 Ads & Public Announcements	367	1,500	1,500	1,500	1,500	-	0.0%
605	.02 Marketing	144,208	160,000	160,000	160,000	160,000	-	0.0%
605	.03 Printing and Binding	16,644	9,000	9,000	9,000	9,000	-	0.0%
610	.01 Community Promotion	745	6,000	6,000	5,000	6,000	-	0.0%
615	.02 Assn. Membership Dues & Fees	525	1,400	1,400	1,000	1,200	(200)	-14.3%
630	.02 Vehicle Licenses	15	20	20	20	20	-	0.0%
630	.03 Bank and Merchant Charges	223,869	255,000	255,000	250,000	250,000	(5,000)	-2.0%
630	.04 Broadcast Content Fees	2,695	2,600	2,600	2,600	2,600	-	0.0%
635	.02 Janitorial & Cleaning Services	7,331	7,200	7,200	7,200	7,200	-	0.0%
635	.06 Building and Grounds Maint Services	2,700	-	3,600	3,600	3,600	3,600	NA
635	.07 Machinery & Equipment Maint Services	1,681	2,600	2,600	875	2,600	-	0.0%
635	.12 Technical Services	30,687	45,880	38,640	33,000	33,000	(12,880)	-28.1%
635	.14 Other Contractual Services	6,273	6,000	6,000	6,000	6,000	-	0.0%
640	.04 Management & Consulting Services	120,649	115,000	130,000	130,000	128,000	13,000	11.3%
645	.01 Rents and Leases-Land & Buildings	104,636	105,680	105,680	105,680	107,800	2,120	2.0%
645	.02 Rents and Leases-Machinery & Equip	-	400	400	400	400	-	0.0%
650	.01 Telecommunications	42,394	38,500	40,200	40,200	38,500	-	0.0%
650	.02 Electric, Water, Sewer & Solid Waste	6,070	6,200	6,700	6,700	7,200	1,000	16.1%
	Contract/Purchased Services	727,515	772,980	786,540	772,775	787,020	14,040	1.8%
Minor Capital Outlay								
790	.15 Furniture and Fixtures	1,924	600	600	-	600	-	0.0%
790	.25 Machinery & Equipment	15,640	2,000	2,000	2,000	10,650	8,650	432.5%
790	.26 Computers, Printers & Copiers	7,813	4,000	4,000	4,000	11,100	7,100	177.5%
790	.35 Software	735	650	650	650	650	-	0.0%
	Minor Capital Outlay	26,112	7,250	7,250	6,650	23,000	15,750	217.2%

KETCHIKAN PUBLIC UTILITIES
2022 Operating and Capital Budget
Sales, Marketing and Customer Service

Operations 5110

		2020	2021 Budget			2022	2021 Adopted/2022	
Operating Expenditures		Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Interdepartmental Charges-Public Safety								
820	.90 Interdepartmental Charges-Public Safety	(2,685)	-	-	-	-	-	NA
	Interdepartmental Charges-Public Safety	(2,685)	-	-	-	-	-	NA
Interdepartmental Charges								
825	.01 Interdepartmental Charges-Insurance	24,959	27,430	28,870	28,870	34,430	7,000	25.5%
	Interdepartmental Charges	24,959	27,430	28,870	28,870	34,430	7,000	25.5%
Total Expenditures by Type		2,948,279	3,077,059	3,077,059	2,971,935	3,147,742	70,683	2.3%

NARRATIVE

500.01 Regular Salaries and Wages: \$1,252,412 – This account provides expenditures for compensation paid to all regular salaried and hourly employees of the Sales, Marketing and Customer Service Division.

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

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

505.00 Payroll Taxes: \$100,400 – This account provides expenditures for employer contributions for Social Security and Medicare and other similar payroll related taxes.

506.00 Pension: \$250,880 – This account provides expenditures for employer contributions to retirement plans.

507.00 Health and Life Insurance: \$476,440 – This account provides expenditures for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation: \$3,430 – This account provides expenditures for employer contributions to workers compensation.

508.00 Other Benefits: \$33,630 – This account provides expenditures for direct claims from former employees for unemployment benefits paid by the State of Alaska and accrued vacation and sick leave.

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

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

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

KETCHIKAN PUBLIC UTILITIES

2022 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, and masks.

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

510.04 Janitorial Supplies: \$2,500 – This account provides expenditures for cleaning and sanitation supplies used by in-house and contracted janitors. This also includes additional sanitizing spray and wipes, gloves.

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

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

520.03 Bulk Mailing: \$65,100 - 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: \$200 - This account provides expenditures for newspapers, magazines and trade journals. Specifically, this accounts for the Ketchikan Daily News subscription.

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

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

600.01 Travel - Business: \$6,400 – 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: \$4,000 – 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 New World Annual Training for the Electric Billing CSR III.

600.03 Training and Education: \$12,000 – This account provides expenditures for registration fees, training fees, and training materials associated with training and educating employees and on-premises training programs provided by staff or a third-parties, such as Measure-X or Pivot.

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

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

KETCHIKAN PUBLIC UTILITIES

2022 Operating and Capital Budget

Sales, Marketing and Customer Service

Operations 5110

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

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

615.02 Assn. Membership Dues & Fees: \$1,200 – 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: \$250,000 – 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 is 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.

635.06 Building and Ground Maintenance Services \$3,600 - This account provides expenditures for pest control spray and COVID-19 spray.

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: \$33,000 - 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, and 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: \$128,000 - This account provides expenditures for management and consulting services. This refers to PIVOT Group Quality Assurance, Hiring Solutions, independent film editors and OSG Billing Services (bill print vendor). Increase is partially due to additional services from OSG (tracking, and message envelope print).

645.01 Rents and Leases - Land and Buildings: \$107,800 - This account provides expenditures for the lease of retail, production and storage space at the Plaza Mall for the Sales, Marketing and Customer Service Division.

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

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

650.02 Electric, Water, Sewer & Solid Waste: \$7,200 - This account provides expenditures for electric, water, sewer and solid waste utility services.

KETCHIKAN PUBLIC UTILITIES

2022 Operating and Capital Budget

Sales, Marketing and Customer Service

Operations 5110

790.15 Furniture & Fixtures: \$600 - This account provides expenditures for acquisition of furniture and fixtures. This is specifically for replacement sneeze guards and chairs used by the Division.

790.25 Machinery & Equipment: \$10,650 - This account provides expenditures for the acquisition, repair and replacement of filming equipment. This is specifically for replacement batteries, waterproof covers for cameras, a gimbal for holding the camera, replacement lights, replacement microphones, and a folding cart for equipment.

790.26 Computers, Printers & Copiers: \$11,100 - This account provides expenditures for the acquisition of desktop, laptops, and computers, copiers and fax machines. This is specifically for the replacement of 6 computers and 1 printer .

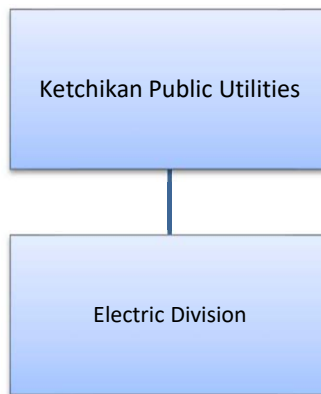
790.35 Software: \$650 - This account provides expenditures for acquisition of software systems and upgrades not covered by maintenance agreements.

825.01 Interdepartmental Charges-Insurance: \$34,430 - This account provides expenditures for the cost for risk management services.

KETCHIKAN PUBLIC UTILITIES
2022 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	2020 Actual	2021 Budget			2022 Budget	2021 Adopted/2022	
		Adopted	Amended	Estimate		Incr(Decr)	%
Operations	16,184,404	18,979,949	19,057,621	18,252,888	19,586,464	606,515	3.2%
Capital Improvement Program	1,483,112	4,031,000	3,953,328	1,810,831	4,301,150	270,150	6.7%
Total	17,667,516	23,010,949	23,010,949	20,063,719	23,887,614	876,665	3.8%

Expenditures by Category	2020 Actual	2021 Budget			2022 Budget	2021 Adopted/2022	
		Adopted	Amended	Estimate		Incr(Decr)	%
Personnel Services and Benefits	5,523,183	6,546,301	6,482,551	5,984,000	6,935,321	389,020	5.9%
Supplies	7,088,165	8,121,500	8,145,352	7,902,250	8,149,000	27,500	0.3%
Contract/Purchased Services	931,031	1,419,595	1,530,845	1,526,845	1,525,844	106,249	7.5%
Minor Capital Outlay	15,889	32,500	32,500	32,500	32,500	-	0.0%
Interdepartmental Charges-Public Safety	(93,864)	-	-	-	-	-	NA
Interdepartmental Charges	1,271,903	1,338,610	1,344,930	1,285,850	1,407,950	69,340	5.2%
Debt Service	1,066,104	1,139,450	1,139,450	1,139,450	1,124,917	(14,533)	-1.3%
Payment in Lieu of Taxes	381,993	381,993	381,993	381,993	410,932	28,939	7.6%
Major Capital Outlay	1,483,112	4,031,000	3,953,328	1,810,831	4,301,150	270,150	6.7%
Total	17,667,516	23,010,949	23,010,949	20,063,719	23,887,614	876,665	3.8%

Funding Source	2020 Actual	2021 Budget			2022 Budget	2021 Adopted/2022	
		Adopted	Amended	Estimate		Incr(Decr)	%
KPU Enterprise Fund	17,667,516	23,010,949	23,010,949	20,063,719	23,887,614	876,665	3.8%
Total	17,667,516	23,010,949	23,010,949	20,063,719	23,887,614	876,665	3.8%

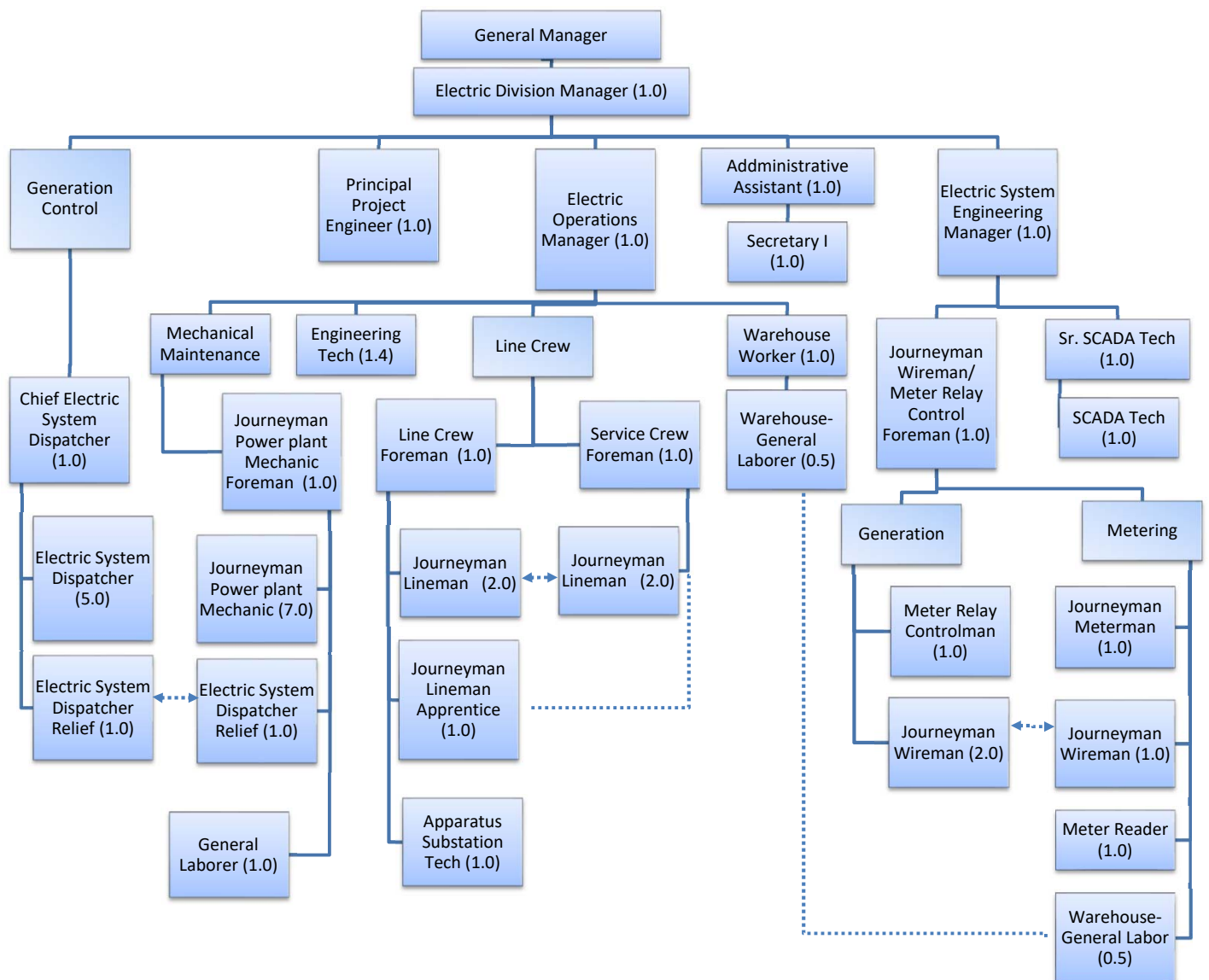
Full-time Equivalent Personnel	2020 Actual	2021 Budget		2022		2021 Adopted/2022	
		Adopted	Amended	Budget	Salary	Incr(Decr)	%
Operations	41.40	41.40	41.40	43.40	4,102,045	2.00	4.8%
Total	41.40	41.40	41.40	43.40	4,102,045	2.00	4.8%

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.

2021 Electric Division Statistics

Metered Customer Base Count:	7,562	Substations/Switchyards:	12
Poles (less SEAPA owned):	3,980	Switches & Fuses:	2,793
Transformers:	1,921	LED Street Lights:	684
		HPS Street Light:	859
Distribution Line:	101.6 miles		
Transmission Line:	29.42 miles	Secondary Radial Line:	125.1 miles
Hydro Generators:	9 Units/3 Licensed Projects	Regulatory Compliance:	FERC; EPA; DEC; USCG
			OSHA; NESC; NEC
Diesel Generators:	6 Units		



GOALS FOR 2022

- **Safety and Environmental:**
 - Review and revise as necessary division safety policies and practices;
 - Remain in compliance with all regulatory agency required policies; and
 - File application for renewal of the Beaver Falls Project FERC License.
- **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
 - Continue with implementation of plans to replace the Ketchikan International Airport's submarine electrical cable.
- **Personnel:**
 - Assist the General Manager's Office with the recruitment for a new Electric Division Manager to succeed Andy Donato, anticipated to retire in early 2022;
 - Recruit, hire and train as necessary the following unfilled positions vacated through retirements or vacancies: Journeyman Lineman (1.0), Journeyman Wireman/Electrician (2.0), Journeyman Power Plant Mechanic (2.0);
 - Develop a succession plan for critical positions anticipated to be vacated in 2022 through retirements; and
 - Implement a hiring freeze on the Secretary I position in 2022 until the full impacts of the ongoing pandemic are understood. This represents an annual savings of \$78,674 for the division.

ACCOMPLISHMENTS FOR 2021

Despite challenges brought on by a world-wide pandemic, the electric power sector, as a business, thrived Nationally and in many cases lead markets. Oddly, this is what happened here in Ketchikan amid Covid closures, a delayed cruise ship season, and continued bouts of social distancing. For KPU Electric we continued maintaining essential generation and transmission services despite pandemic-related disruptions. A wet year kept the reservoir levels full and an incredible team kept the generators spinning, breaking new records in local generation.

KPU Electric continued strong expansion of services to the community. Staff and field teams continued construction opportunities. The division continued to plan for an on-time, in-person start for these essential service projects. Examples included services to businesses such as Ward Cove Group, and the airport ferry terminal, along with numerous small businesses such as Bobcat of Juneau and Starlink.

Continuing with daily teleconferencing, Zoom, and Webex moderated meetings, participation and engagement hasn't been better.

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

- **Safety and Environmental:**
 - Amended the Bailey Power Plant Title V permit to increase available diesel power generation by 55% from 59 GWh to 92 GWh;
 - Conducted an oil spill response with the USCG (table top SPCC drill); and
 - Completed the warehouse roof replacement.

KETCHIKAN PUBLIC UTILITIES
2022 Operating and Capital Budget
Electric Division

Operations 5200

• **Customer Service:**

- Installed over 100 new electrical services; and
- AMI/AMR implementation now at 5,713 out of 7,978 meters, or 71.6% implemented.

Generation:

- Completed Bailey Generator No. 3 rehabilitation and piston replacement;
- Completed replacement of Bailey Generator No. 4 cylinder heads;
- Completed DEC-required stack emission tests on Bailey Generator No. 4;
- Replaced critical Howell-Bunger bypass valve inside Silvis Powerhouse; and
- Completed the replacement of a bearing at Silvis Powerhouse.

• **Transmission and Distribution Facilities:**

- Reconstructed the Silvis Substation;
- Rehabilitated Mountain Point Substation, including replacement 35 kV breaker SF6 canister;
- Continued replacement of aging power poles, cross arms, and appurtenance;
- Continued replacement of aging 35 kV insulators
- Completed reconfiguring the 12.47 kV infrastructure at The Mill at Ward Cove;
- Rebuilt Shoup Street distribution system; and
- Continued consulting with ADOT on the Herring Cove Bridge and South Tongass Highway projects.

DIVISION SUMMARY

Expenditures by Category	2020	2021 Budget			2022	2021 Adopted/2022	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	5,523,183	6,546,301	6,482,551	5,984,000	6,935,321	389,020	5.9%
Supplies	7,088,165	8,121,500	8,145,352	7,902,250	8,149,000	27,500	0.3%
Contract/Purchased Services	931,031	1,419,595	1,530,845	1,526,845	1,525,844	106,249	7.5%
Minor Capital Outlay	15,889	32,500	32,500	32,500	32,500	-	0.0%
Interdepartmental Charges-Public Safety	(93,864)	-	-	-	-	-	NA
Interdepartmental Charges	1,271,903	1,338,610	1,344,930	1,285,850	1,407,950	69,340	5.2%
Debt Service	1,066,104	1,139,450	1,139,450	1,139,450	1,124,917	(14,533)	-1.3%
Payment in Lieu of Taxes	381,993	381,993	381,993	381,993	410,932	28,939	7.6%
Total Expenditures	16,184,404	18,979,949	19,057,621	18,252,888	19,586,464	606,515	3.2%

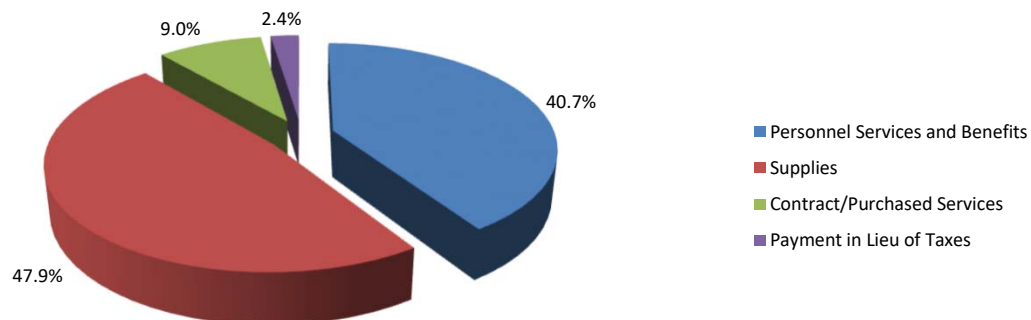
Funding Source	2020	2021 Budget			2022	2021 Adopted/2022	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	16,184,404	18,979,949	19,057,621	18,252,888	19,586,464	606,515	3.2%
Total Funding	16,184,404	18,979,949	19,057,621	18,252,888	19,586,464	606,515	3.2%

KETCHIKAN PUBLIC UTILITIES
2022 Operating and Capital Budget
Electric Division

Operations 5200

Full-time Equivalent Personnel	2020 Actual	2021 Budget		2022		2021 Adopted/2022	
		Adopted	Amended	Budget	Salary	Incr(Decr)	%
Division Manager	1.00	1.00	1.00	1.00	181,294	-	0.0%
Principal Project Engineer	1.00	1.00	1.00	1.00	131,515	-	0.0%
Operations Manager	1.00	1.00	1.00	1.00	134,802	-	0.0%
Electric System Engineering Manager	1.00	1.00	1.00	1.00	134,802	-	0.0%
Administrative Assistant	-	-	1.00	1.00	58,448	1.00	100.0%
Secretary II	1.00	1.00	-	-	-	(1.00)	-100.0%
Secretary I	1.00	1.00	1.00	1.00	39,354	-	0.0%
GENERATION CONTROL							
Chief System Dispatcher	1.00	1.00	1.00	1.00	96,870	-	0.0%
System Dispatcher	3.00	3.00	3.00	5.00	418,750	2.00	66.7%
System Dispatcher-Relief	1.00	1.00	1.00	1.00	83,750	-	0.0%
SCADA							
Senior SCADA Technician	-	-	-	1.00	87,568	1.00	New
SCADA Technician	2.00	2.00	2.00	1.00	83,200	(1.00)	-50.0%
LINE CREWS							
Line Crew Foreman	1.00	1.00	1.00	1.00	127,590	-	0.0%
Service Crew Foreman	1.00	1.00	1.00	1.00	127,590	-	0.0%
Apparatus Substation Tech	1.00	1.00	1.00	1.00	121,038	-	0.0%
Lineman	4.00	4.00	4.00	4.00	466,680	-	0.0%
Lineman Apprentice	1.00	1.00	1.00	1.00	89,336	-	0.0%
ELECTRICIANS							
Wireman/Meter Relay Control Foreman	1.00	1.00	1.00	1.00	112,550	-	0.0%
Meterman	1.00	1.00	1.00	1.00	105,748	-	0.0%
Wireman/Electrician	3.00	3.00	3.00	3.00	304,140	-	0.0%
Meter Relay Controlman	1.00	1.00	1.00	1.00	101,380	-	0.0%
Meter Reader	1.00	1.00	1.00	1.00	53,248	-	0.0%
Warehouse-Relief Meter Reader	0.50	0.50	0.50	0.50	33,166	-	0.0%
MECHANICAL MAINTENANCE							
Powerplant Mechanic Foreman	1.00	1.00	1.00	1.00	94,120	-	0.0%
Powerplant Mechanic	7.00	7.00	7.00	7.00	582,400	-	0.0%
Powerplant Mechanic-Relief	1.00	1.00	1.00	1.00	83,200	-	0.0%
OTHER							
Warehouse Worker	1.00	1.00	1.00	1.00	74,485	-	0.0%
Warehouse/General Laborer	0.50	0.50	0.50	0.50	33,166	-	0.0%
Engineering Tech-CADD & GIS	1.40	1.40	1.40	1.40	98,903	-	0.0%
General Laborer	1.00	1.00	1.00	1.00	42,952	-	0.0%
Total	41.40	41.40	41.40	43.40	4,102,045	2.00	4.8%

2022 Expenditures by Type



OPERATING BUDGET CHANGES FOR 2022

Changes between the adopted operating budget for 2021 and the proposed operating budget for 2022 that are greater than 5% and \$5,000 are discussed below.

- Vehicle Maintenance Materials (Account No.515.01) increased \$10,000, or 14.3%, due to increased vehicle maintenance and to more accurately reflect actual expenses.
- Buildings & Grounds Maintenance Materials (Account No. 515.02) decreased by \$15,000, or by 60%, to more accurately reflect 2021 actual expenses. In future budgets, this item will be reevaluated to align it with planned needs.
- Generation Oil Lubricants (Account No. 525.02) increased by \$37,000, or by 61.7%, to more accurately reflect the expense of diesel generator oil changes.
- Travel-Business (Account No. 600.01) increased by \$18,750, or by 300%, in anticipation of travel expenses associated with the recruitment of staff including a new Electric Division Manager.
- Travel-Training (Account No. 600.02) increased by \$12,000, or by 120%, in anticipation of travel expenses associated with the Electric Division's operations.
- Travel-Training and Education (Account No. 600.03) increased by \$10,000, or by 66.7%, in anticipation of training and education expenses associated with the division's operations.
- Grant Awards (Account No. 610.02) increased by \$11,521, or by 17.5%, due to the Electric Division's share of the City's Community Grant Program.
- Janitorial and Cleaning Services (Account No. 635.02) increased by \$5,000, or by 50%, to reflect actual expenditures for the required level of janitorial services for the division, which had been previously deferred and decreased.
- Software Maintenance Services (Account No. 635.04) increased by \$28,000, or 38.9%, to reflect the increases to cyber security protections and monitoring within the SCADA system that took place in 2021. A software update will be needed in 2022 for the metering platform that reports to the City's New World financial management system.
- Disposal Services (Account No. 635.09) decreased by \$15,000, or by 50%, due to fluctuating recycling costs.
- Rents & Leases-Lands & Building (Account No. 645.01) increased by \$10,000, or by 31.3%, due to the need to increase indoor storage space for critical equipment and supplies that are currently housed outside and are vulnerable to weather deterioration.
- Rents & Leases-Machinery & Equipment (Account No. 645.02) increased by \$25,500, or by 566.7%, due to the need to rent a transfer oil filtration system for transformers.
- Telecommunications (Account No. 650.01) increased by \$11,000, or by 6.3%, due to additional services required by the department.
- Interdepartmental Charges increased by \$69,340, or by 5.2%, primarily due to increased insurance premiums and increased costs associated with services provided by City departments to the Electric Division.
- 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 to 7.1 in April 2022.

KETCHIKAN PUBLIC UTILITIES
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DIVISION OPERATING BUDGET DETAIL							
Operating Expenditures	2020	2021 Budget			2022	2021 Adopted/2022	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits							
500 .01 Regular Salaries and Wages	3,251,127	3,822,381	3,718,631	3,530,740	4,102,045	279,664	7.3%
501 .01 Overtime Wages	294,786	300,000	340,000	344,040	300,000	-	0.0%
502 .01 Temporary Wages	35,166	70,000	70,000	39,680	70,000	-	0.0%
505 .00 Payroll Taxes	269,298	320,720	320,720	300,720	342,114	21,394	6.7%
506 .00 Pension	536,535	667,170	667,170	584,920	702,516	35,346	5.3%
507 .00 Health and Life Insurance	829,077	1,027,900	1,027,900	899,010	1,115,228	87,328	8.5%
507 .30 Workers Compensation	114,549	121,650	121,650	113,460	108,002	(13,648)	-11.2%
508 .00 Other Benefits	166,230	132,180	132,180	132,180	111,116	(21,064)	-15.9%
509 .04 Allowances-KPU Clothing	11,340	8,800	8,800	8,800	8,800	-	0.0%
509 .07 Allowances-Moving Expense	15,000	75,000	75,000	30,000	75,000	-	0.0%
509 .08 Allowances-Medical Expenses	75	500	500	450	500	-	0.0%
Personnel Services and Benefits	5,523,183	6,546,301	6,482,551	5,984,000	6,935,321	389,020	5.9%
Supplies							
510 .01 Office Supplies	14,146	15,000	15,000	15,000	15,000	-	0.0%
510 .02 Operating Supplies	9,024	10,000	10,000	10,000	10,000	-	0.0%
510 .03 Safety Program Supplies	16,588	25,000	25,000	25,000	25,000	-	0.0%
510 .04 Janitorial Supplies	786	1,000	1,000	1,000	1,000	-	0.0%
510 .05 Small Tools & Equipment	34,834	35,000	35,000	35,000	35,000	-	0.0%
515 .01 Vehicle Maintenance Materials	94,667	70,000	75,000	75,000	80,000	10,000	14.3%
515 .02 Building & Grounds Maint Materials	7,948	25,000	20,000	15,000	10,000	(15,000)	-60.0%
515 .03 Furniture & Fixtures Maint Materials	613	500	500	500	500	-	0.0%
515 .04 Machinery & Equip Maint Materials	18,200	60,000	60,000	60,000	60,000	-	0.0%
515 .05 Infrastructure & Plant Maint Materials	407,758	500,000	489,680	400,000	496,000	(4,000)	-0.8%
520 .02 Postage	1,078	1,500	1,500	1,000	1,500	-	0.0%
520 .04 Freight-Materials & Supplies	12,669	40,000	40,000	35,000	40,000	-	0.0%
525 .01 Generation Diesel Fuel	246,292	350,000	350,000	325,000	350,000	-	0.0%
525 .02 Generation Oil Lubricants	11,169	60,000	97,672	97,000	97,000	37,000	61.7%
525 .03 Heating Fuel	1,017	5,500	5,500	5,000	5,000	(500)	-9.1%
525 .04 Vehicle Motor Fuel & Lubricants	40,289	50,000	46,500	40,000	50,000	-	0.0%
525 .05 Purchased Power	5,528,392	6,646,000	6,208,000	6,100,000	6,646,000	-	0.0%
525 .07 Machinery & Equip Fuel & Lubricants	450	3,000	3,000	3,000	3,000	-	0.0%
525 .10 Whitman Lake - SEAPA True-up	633,508	212,000	650,000	650,000	212,000	-	0.0%
530 .02 Periodicals	483	1,500	1,500	750	1,500	-	0.0%
530 .03 Professional & Technical Publications	806	1,500	1,500	1,000	1,500	-	0.0%
535 .02 Business and Meal Expenses	1,644	3,000	3,000	2,000	3,000	-	0.0%
535 .05 Special Protective Clothing	5,804	6,000	6,000	6,000	6,000	-	0.0%
Supplies	7,088,165	8,121,500	8,145,352	7,902,250	8,149,000	27,500	0.3%

KETCHIKAN PUBLIC UTILITIES
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Operations 5200

Operating Expenditures	2020	2021 Budget			2022	2021 Adopted/2022	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Contract/Purchased Services							
600 .01 Travel-Business	2,457	6,250	25,000	25,000	25,000	18,750	300.0%
600 .02 Travel-Training	3,860	10,000	30,000	30,000	22,000	12,000	120.0%
600 .03 Travel-Training and Education	26,936	15,000	40,000	40,000	25,000	10,000	66.7%
605 .01 Ads & Public Announcements	7,518	25,000	25,000	25,000	25,000	-	0.0%
610 .02 Grant Awards	75,705	65,845	65,845	65,845	65,844	(1)	0.0%
615 .01 Professional and Technical Licenses	760	2,500	2,500	2,500	2,500	-	0.0%
615 .02 Assn. Membership Dues & Fees	12,773	15,000	15,000	15,000	15,000	-	0.0%
630 .01 Building & Operating Permits	120,897	125,000	125,000	125,000	125,000	-	0.0%
630 .02 Vehicle Licenses	245	1,500	1,500	1,500	1,500	-	0.0%
635 .02 Janitorial and Cleaning Services	8,075	10,000	10,000	10,000	15,000	5,000	50.0%
635 .03 Vehicle Maintenance Services	4,800	5,000	9,000	9,000	5,000	-	0.0%
635 .04 Software Maintenance Services	66,746	72,000	82,000	82,000	100,000	28,000	38.9%
635 .06 Bldg & Grounds Maintenance Services	-	7,000	7,000	7,000	7,000	-	0.0%
635 .08 Infrastructure Maintenance Services	24,913	40,000	40,000	40,000	40,000	-	0.0%
635 .09 Disposal Services	5,502	30,000	19,000	15,000	15,000	(15,000)	-50.0%
635 .12 Technical Services	111,124	480,000	510,000	510,000	480,000	-	0.0%
635 .14 Other Contractual Services	9,859	23,000	23,000	23,000	23,000	-	0.0%
640 .02 Engineering & Architectural Services	88,100	100,000	100,000	100,000	100,000	-	0.0%
640 .04 Management & Consulting Services	86,100	125,000	125,000	125,000	125,000	-	0.0%
645 .01 Rents & Leases-Land & Buildings	25,533	32,000	32,000	32,000	42,000	10,000	31.3%
645 .02 Rents & Leases-Machinery & Equip	8,740	4,500	8,000	8,000	30,000	25,500	566.7%
650 .01 Telecommunications	192,581	175,000	186,000	186,000	187,000	12,000	6.9%
650 .02 Electric, Water, Sewer & Solid Waste	47,807	50,000	50,000	50,000	50,000	-	0.0%
Contract/Purchased Services	931,031	1,419,595	1,530,845	1,526,845	1,525,844	106,249	7.5%
Minor Capital Outlay							
790 .15 Furniture and Fixtures	166	5,000	5,000	5,000	5,000	-	0.0%
790 .26 Computers, Printers, and Copiers	14,789	20,000	20,000	20,000	20,000	-	0.0%
790 .35 Software	934	7,500	7,500	7,500	7,500	-	0.0%
Minor Capital Outlay	15,889	32,500	32,500	32,500	32,500	-	0.0%
Interdepartmental Charges-Public Safety							
803 .90 Interdept'l-Public Safety Compliance-CO'	(93,864)	-	-	-	-	-	NA
Interdepartmental Charges-Public Safet	(93,864)	-	-	-	-	-	NA
Interdepartmental Charges							
800 .00 Interdept'l-Administrative	189,902	210,270	211,040	211,040	216,300	6,030	2.9%
801 .01 Interdept'l-Human Resources	93,674	91,040	91,040	70,250	96,280	5,240	5.8%
802 .00 Interdept'l-Finance	499,494	506,730	505,960	470,150	508,830	2,100	0.4%
803 .01 Interdept'l-Information Tech	224,436	215,380	215,380	212,900	227,590	12,210	5.7%
825 .01 Interdept'l-Insurance	264,397	315,190	321,510	321,510	358,950	43,760	13.9%
Interdepartmental Charges	1,271,903	1,338,610	1,344,930	1,285,850	1,407,950	69,340	5.2%
Debt Service							
931 .01 Debt Service-Principal	640,000	660,000	660,000	660,000	945,000	285,000	43.2%
932 .01 Debt Service-Interest	426,104	479,450	479,450	479,450	179,917	(299,533)	-62.5%
Debt Service	1,066,104	1,139,450	1,139,450	1,139,450	1,124,917	(14,533)	-1.3%
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	16,184,404	18,979,949	19,057,621	18,252,888	19,586,464	606,515	3.2%

NARRATIVE

500.01 Regular Salaries and Wages: \$4,102,045 - 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: \$342,114 – This account provides expenditures for employer contributions for Social Security and Medicare and other similar payroll related taxes.

506.00 Pension: \$702,516 – This account provides expenditures for employer contributions to retirement plans.

507.00 Health and Life Insurance: \$1,115,228 – This account provides expenditures for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation \$108,002 – This account provides expenditures for employer contributions for workers compensation.

508.00 Other Benefits: \$111,116 – 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: \$15,000 - This account provides expenditures for paper, pens, pencils, adding machine ribbons and tape, note pads, file folders, scotch tape, toner, ink cartridges, photocopy charges, small desk accessories and minor office equipment such as adding machines, staplers, comb binding machines and tape dispensers.

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

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

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

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

515.01 Vehicle Maintenance Materials: \$80,000 - 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: \$10,000 – This account provides expenditures for the repair and maintenance of buildings and upkeep of the grounds owned or leased and operated by the City.

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Operations 5200

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: \$496,000 – This account provides expenditures for the repair and maintenance of infrastructure and plants owned or leased and operated by the division. Included are hydroelectric facilities, dams, electric substations, generators, fuel tank farms, overhead and underground electric and telecommunication facilities and telecommunications.

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

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

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

525.02 Generation Oil Lubricants: \$97,000 - This account provides expenditures for lubricants required for the operation of diesel generation equipment.

525.03 Heating Fuel: \$5,000 - 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: \$6,646,000 - This account provides expenditures for electric energy purchased from SEAPA for resale by Ketchikan Public Utilities.

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

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

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

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

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

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

600.01 Travel-Business: \$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: \$22,000 - This account provides expenditures for transportation, lodging, meals, per diems and other incidental expenses associated with travel for training.

600.03 Training and Education: \$25,000 – This account provides expenditures for registration fees, training fees, training materials, tuition reimbursements and other incidental expenses associated with training and educating employees.

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

610.02 Grant Awards: \$65,844 - 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 licensed 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: \$15,000 – This account provides expenditures for services to clean facilities and equipment owned or leased by the City. Included are janitorial, carpet cleaning and laundry services.

635.03 Vehicle Maintenance Services: \$5,000 – This account provides expenditures 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: \$100,000 - 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 expenditures 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: \$15,000 - This account provides expenditures for the disposal of hazardous materials such as PCBs, asbestos and lead, transformers and other environmentally sensitive material.

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

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

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

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

645.01 Rents and Leases - Land and Buildings: \$42,000 - This account provides expenditures for the rent and lease of land and buildings for storage yards and covered storage facilities.

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645.02 Rents and Leases - Machinery & Equipment: \$30,000 - 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: \$187,000 - This account provides expenditures for wired and wireless telecommunication services. Included are landline and cell phone services, network and data services, charges for wired and wireless telecommunications services, Internet, long distance and toll-free numbers. Purchases of cell phones are also charged to this account.

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

790.15 Furniture and Fixtures: \$5,000 - This account provides expenditures for acquisition of furniture and fixtures. Included are desks, chairs, tables, workstations, file cabinets, storage cabinets and building fixtures. Upgrades to office configurations for utility operators that maximize limited space will require new office furniture.

790.26 Computers, Printers and Copiers \$20,000 - This account provides expenditures for machinery and equipment usually composed of a complex combination of parts. Included are office equipment and operating equipment required to provide services or maintain capital assets. The Electric Division will acquire four new desktop computer workstations for staff per the computer replacement schedule developed by the Information Technology Department as well as a replacement plotter for large drawings and print sets.

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: \$216,300 - 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: \$96,280 - This account provides expenditures for human resource services provided by the Human Resources Division.

802.00 Interdepartmental Charges - Finance: \$508,830 - 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: \$227,590 - This account provides expenditures for information technology services provided by the Information Technology Department.

825-01 Interdepartmental Charges – Insurance: \$358,950 - This account provides expenditures for risk management services and claims.

931.01 Debt Service-Principal: \$945,000 - This account provides expenditures for principal on revenue bonds.

932.01 Debt Service-Interest: \$179,917 - 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.

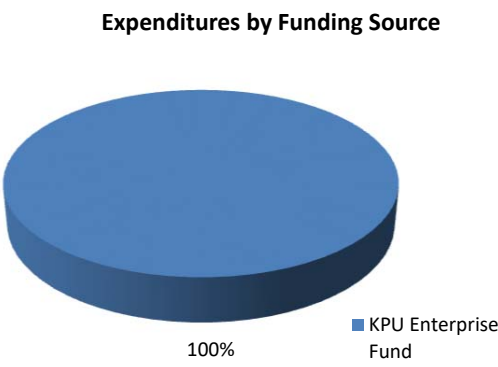
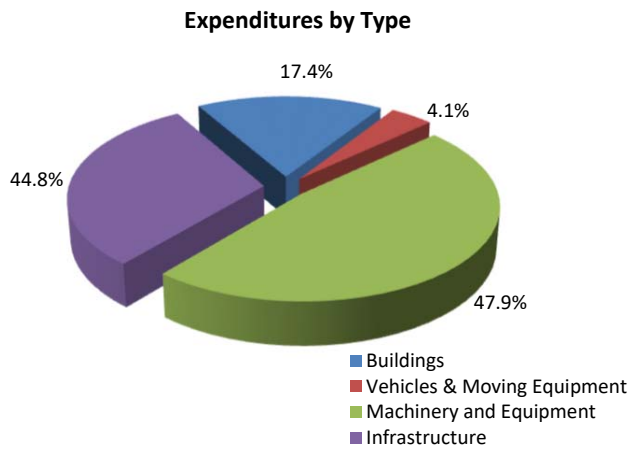
KETCHIKAN PUBLIC UTILITIES
2022 Operating and Capital Budget
Electric Division

Capital Budget

Major Capital Outlay	2020 Actual	2021 Budget			2022 Budget	2021 Adopted/2022	
		Adopted	Amended	Estimate		Incr(Decr)	%
705.00 Buildings	-	220,000	220,000	220,000	750,000	530,000	240.9%
720.00 Vehicles and Moving Equipment	-	-	-	-	175,000	175,000	New
725.00 Machinery and Equipment	688,407	3,367,000	3,315,000	1,334,270	2,062,150	(1,304,850)	-38.8%
730.00 Infrastructure	794,705	444,000	418,328	256,561	1,314,000	870,000	195.9%
Total Major Capital Outlay	1,483,112	4,031,000	3,953,328	1,810,831	4,301,150	270,150	6.7%

Capital Improvement Projects

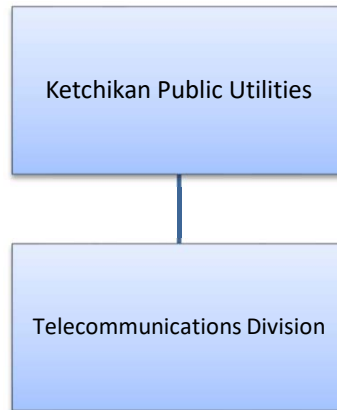
Project #	Project	Funding Sources			
		KPU Enterprise Fund	Grants	Bonds	Total
705-00 Buildings					
	Beaver Falls Powerhouse Exterior	750,000	-	-	750,000
	Total Buildings	750,000	-	-	750,000
720.00 Vehicles and Moving Equipment					
	Vehicles & Moving Equipment	175,000	-	-	175,000
	Total Vehicles and Moving Equipment	175,000	-	-	175,000
725.00 Machinery and Equipment					
	Bailey Generator No. 4 Wartsila PLC Upgrade	115,000			115,000
	Generator Equipment Planning, Cleaning & Testing	50,000			50,000
	Bailey Exhaust Stack Re-Coating	25,000			25,000
	Feeder Protective Relay Upgrades	100,000			100,000
	Battery System Chargers	60,000			60,000
	Transformer Purchase	90,000			90,000
	AMI, Meters, Meter Replacement Parts	250,000			250,000
	Beaver Falls Switch Gear Replacement	1,372,150			1,372,150
	Total Machinery and Equipment	2,062,150	-	-	2,062,150
730.00 Infrastructure					
	Beaver Falls Relicensing	90,000			90,000
	Ketchikan Tunnel Penstock Valves Replacement	100,000			100,000
	Whitman Tailrace Modifications	25,000			25,000
	Diesel Generation Modernization	60,000			60,000
	Ketchikan Lakes Utilities	125,000			125,000
	Ketchikan International Airport & Pennock Upgrade	260,000			260,000
	Reimbursable Projects	25,000			25,000
	Bailey Mooring Dolphin Replacement	110,000			110,000
	Operating Equipment	355,000			355,000
	Additional Projects	164,000			164,000
	Total Infrastructure	1,314,000	-	-	1,314,000
	Total Capital Budget	4,301,150	-	-	4,301,150



KETCHIKAN PUBLIC UTILITIES
2022 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	2020	2021 Budget			2022	2021 Adopted/2022	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operations	14,764,458	15,674,904	15,674,904	15,040,842	15,731,277	56,373	0.4%
Capital Improvement Program	11,842,597	2,175,000	2,175,000	1,917,400	1,431,866	(743,134)	-34.2%
Total	26,607,055	17,849,904	17,849,904	16,958,242	17,163,143	(686,761)	-3.8%

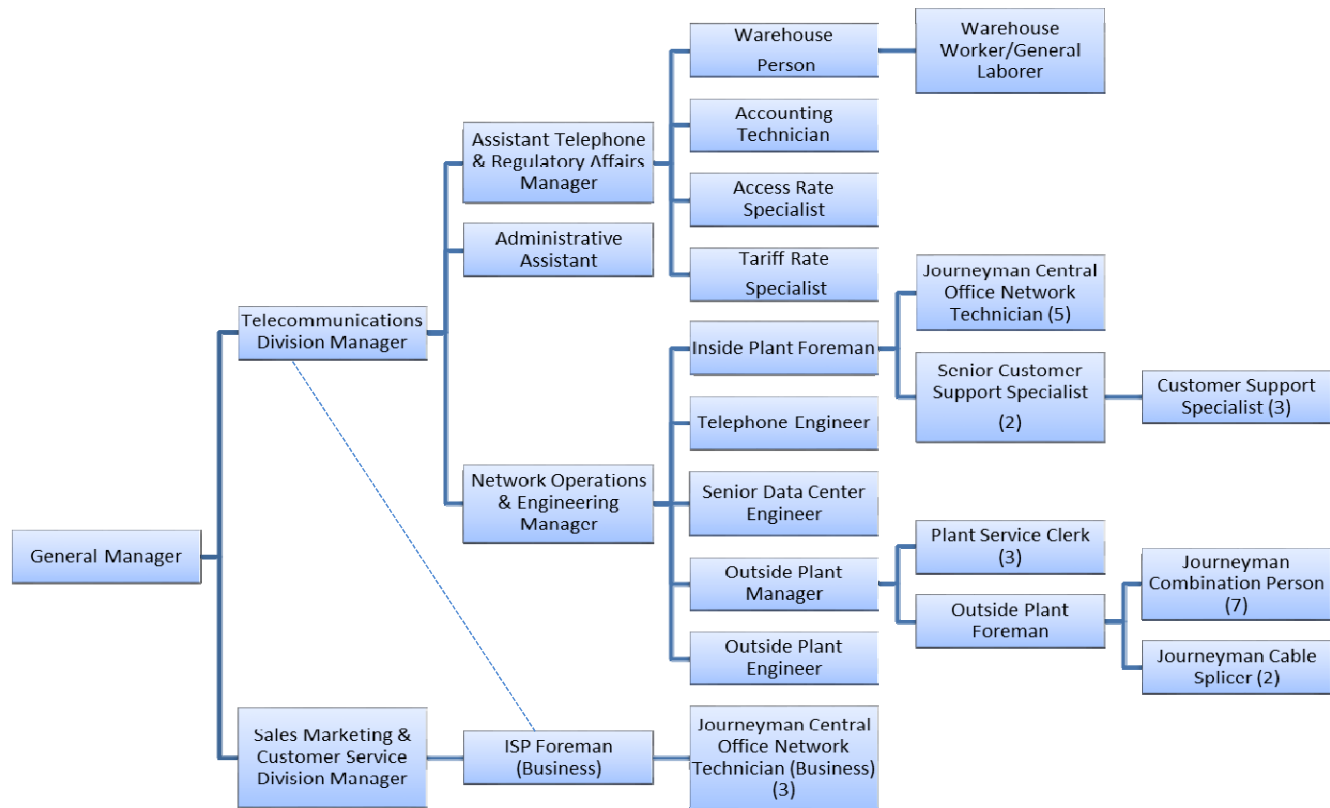
Expenditures by Category	2020	2021 Budget			2022	2021 Adopted/2022	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	5,846,817	6,078,902	6,075,612	5,656,890	5,966,181	(112,721)	-1.9%
Supplies	1,008,674	849,000	856,500	848,500	888,500	39,500	4.7%
Contract/Purchased Services	6,346,453	6,297,455	6,289,955	6,135,455	6,361,821	64,366	1.0%
Minor Capital Outlay	24,367	18,000	18,000	18,000	18,000	-	0.0%
Interdepartmental Charges-Public Safety	(10,922)	-	-	-	-	-	NA
Interdepartmental Charges	1,031,189	1,052,930	1,056,220	1,003,380	1,103,220	50,290	4.8%
Debt Service	311,522	1,172,259	1,172,259	1,172,259	1,171,509	(750)	-0.1%
Payment in Lieu of Taxes	206,358	206,358	206,358	206,358	222,046	15,688	7.6%
Major Capital Outlay	11,842,597	2,175,000	2,175,000	1,917,400	1,431,866	(743,134)	-34.2%
Total	26,607,055	17,849,904	17,849,904	16,958,242	17,163,143	(686,761)	-3.8%

Funding Source	2020	2021 Budget			2022	2021 Adopted/2022	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	16,293,445	17,849,904	17,849,904	16,958,242	17,163,143	(686,761)	-3.8%
Revenue Bond	10,313,610	-	-	-	-	-	NA
Total	26,607,055	17,849,904	17,849,904	16,958,242	17,163,143	(686,761)	-3.8%

Full-time Equivalent Personnel	2020	2021 Budget		2022		2021 Adopted/2022	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
Operations	41.00	41.00	41.00	41.00	3,576,811	-	0.0%
Total	41.00	41.00	41.00	41.00	3,576,811	-	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 2022

The KPU Telecommunications (KPUTel) division's 2022 operating and capital budget goals are essentially divided between Revenue & Competitive Strategy, Efficiency & Quality of Service, and Ongoing Operations – while strictly following budget guidance as it relates to the ongoing COVID-19 environment.

Revenue & Competitive Strategy: 2021 marked the eighth full year of operation for KPU's Verizon wireless 'roaming data and voice' 4G/LTE network. Investment in the 4G/LTE network effectively enabled KPU Telecommunications to fund construction of the digital microwave system (to Canada); purchase an IRU (private ownership of circuit capacity on GCI's undersea cable to Seattle); own/operate a Verizon agent store; and construct a 4G/LTE wireless system in Ketchikan and Skagway.

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

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

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

Subsequently, Ketchikan's voters approved passage of 'Prop 2' – an October 1, 2019 ballot initiative asking voters to approve the \$11,500,000 Revenue Bond necessary to fund construction of the undersea cable. Following passage of Prop 2, KPUTel issued an RFP, received bids, and selected a contractor to build the new subsea fiber. Subsequently, following construction of the undersea cable, KPUTel officially placed the new cable in service on November 1, 2020.

Upon 'turn up' of the new subsea fiber, KPUTel created a critical third network 'leg' (along with the existing microwave and IRU) consisting of three physical KPU owned network connections to the Lower '48. This placed KPU in the unique position of ultimately owning 'unlimited' network capacity (limited only by the amount the division chooses to invest in network electronics, and/or the cost of 'transport' from Prince Rupert, BC, Canada to the Lower '48).

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

Lastly, the new subsea fiber plays a key role in KPUTel's competitive future – enabling KPUTel to offer higher speed internet service at reasonable rates and otherwise be in a position to add capacity and services at any time, no matter what the broadband future might require. The new subsea fiber plays a key role in KPUTel's competitive future, enabling KPUTel to offer higher speed internet service at reasonable rates, and otherwise be in a position to add capacity and services at any time, no matter what the broadband future might require. Additionally, KPUTel will be looking to see wholesale capacity on the Subsea Fiber which, is a new opportunity to garner potentially significant revenues albeit hard to predict.

The new undersea cable has performed flawlessly since the November 1, 2020 in-service date.

KPUTel is programming a \$10 per customer per month rate increase for elective/competitive Television services and a 10% increase in competitive Hosted PBX business services in 2022. Rates for these elective services were last increased over 5 years ago. These rate increase are necessary to keep pace with increasing content costs and equipment costs.

Noteworthy investments in the 2021 Capital Budget include:

KPUTel has limited the balance of its 2022 capital budget to those items necessary to 'keep the network lights on' and to meet ongoing customer demand for telecommunications services.

The COVID related minimal capital budgets in 2021 and 2022 are causing deferral of important projects and cannot be sustained without future service impacts. For example, KPU had intended to replace its manufacture-discontinued "voice" telephone switch in 2021, but that project has yet again been deferred. Additionally, KPU needs to move forward with upgrading its "core" network due to the impending discontinuance of that equipment. Continued deferment of these (and other) projects ultimately risk degradation of service and will cause much larger annual capital budgets in 2023 and beyond.

KETCHIKAN PUBLIC UTILITIES

2022 Operating and Capital Budget

Telecommunications Division

Operations 5300

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

Quality of Service/Ongoing Operations: The division's 2022 operating budget (vs. 2021) represents an increase of \$206,048 or 1.3%. The 2022 operating budget increase is the result of small but necessary increases to certain line items in the budget and less than anticipated inflation for 2022. The proposed spending plan is conservative, while maintaining a high quality of service without risking ongoing operations. We have implemented a hiring freeze on one open position (Plant Manager) until the full impacts of the ongoing pandemic are understood. This represents an annual savings of \$174,266 for the division.

ACCOMPLISHMENTS FOR 2021

Administration

- Developed a plan and an associated agreement to address the repair of the KetchCan1 cable in the event that it is damaged.
- Developed a process that will allow the Division to sell subsea fiber capacity on the KetchCan1 cable in an administratively efficient and timely manner.
- Filed an update with the Federal Communications Commission to our Alaska Plan performance obligations.
- Completed the renewal application for the Advanced Wireless Service (AWS) FCC license that is utilized for the division's LTE in Rural America (LRA) agreement.
- Negotiated the requisite agreements and completed construction of the 4G/LTE cell site at Ward Cove.
- Implemented new robocall mitigation plan that was an FCC requirement that will help to stem robocalls in Ketchikan.
- Established KPU participation in the Emergency Broadband Benefit Program that provides qualified customers a significant credit off of their Internet services billing.
- Implemented the new FCC regulatory requirement for network performance testing.

4G LTE / Microwave

- Hospital Cell site completed.
- Ward Cove Cell site expected completion Q4 2021.
- Verizon Wireless Priority Services (WPS) upgrade completed.
- Migration of Element Network Manager (ENM) services to RINA.
- NEC Microwave relegated to emergency standby role in case of subsea fiber break.

Facility

- Ongoing migrations of Zhone and Pannaway platforms with expected completion 2022.
- Upgrades of new routers at K71.
- Battery plant upgrades at Mountain Point.
- Increases in fiber capacity at Forest Park and replacement of AFC with Adtran.
- Migration to a 2nd new datacenter rack in the Main CO.
- 480 new GR303 POTS lines.

Core

- Faster internet speeds for our FTTH customer base due to subsea fiber capacity.
- Adtran Network Performance Testing solution implemented.
- Extrahop Security software implementation enhancements.
- New Access-Lists and Routing changes to enhance security.
- Guru Knowledge management implementation.
- KPU Water and Electric Division SCADA network improvements.

KETCHIKAN PUBLIC UTILITIES

2022 Operating and Capital Budget

Telecommunications Division

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- 8192 new ipv4 network addresses implementation expected Q4 2021.
- ESRI software implementation and design for Telecom.

Voice

- Oracle Communications Operations Monitor of ACME data.
- Broadworks software upgrades and expected hardware upgrade Q4 2021.
- TransNexus route engines (Ospreys) and NexOSS upgrades.
- FCC Robocall Mitigation STIR/SHAKEN compliance.

Video

- Numerous receiver installations due to realignment of satellite feeds to 5G.
- Ongoing issues and progress with new Minerva M10 implementation.
- New HITS network redesign and resulting 99 channel upgrades.
- New Engage STB cloud software solution upgrade.
- New Amino Amulet 7XM and Kamai 7XM STBs on Minerva 5.7 implementation.
- Closed captioning issues and upgrades.
- New SD and HD channels.

Systems and Datacenter

- Adtran AOE management server upgrade.
- DNS server rebuild in-progress with expected completion Q4 2021.
- New Broadworks vSan 4 node cluster environment.
- Ongoing Webex improvements, migrations, maintenance, and training.
- TransNexus SQL server upgrade and replication project.
- New Extrahop vmWare Collector for East/West traffic in the datacenter.
- CentOS migration plan.
- Windows AD domain migration expected completion Q4 2021.
- Security enhancements as a result of concerns discovered by Extrahop monitoring.

Line Crew & Splicers

- Subsea fiber remediation splice tasks so that all 48 fibers are fully qualified.
- Copper and Fiber buildouts.
- Forest Park fiber expansion.
- Ward Cove and Hospital cell sites.
- Tower climbing recertification.
- Evergreen Condos MDU estimated completion Q4 2021.
- Mariner MDU estimated completion Sept. 2021.

Install & Trouble Tickets To Date (8/21/21)

- 651 Service Orders
- 731 Trouble Tickets
- 156 Fiber Drops

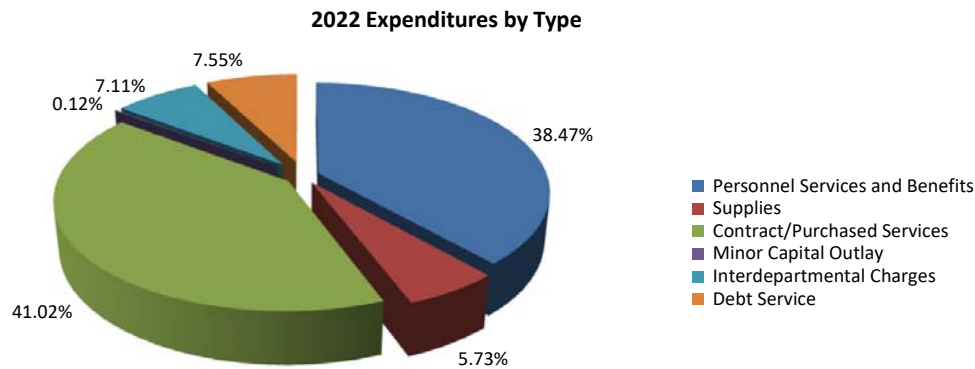
Hosted Business Group

- 604 Resolved PBX tickets.
- 183 Installs completed.
- 6 New hosted systems added.
- 102 New lines added in Broadworks.
- 19 New Meraki cameras.
- 31 New Meraki wireless installations.
- Meraki access points, cameras, and switches.
- 62 room hosted install at Ramada Juneau.

KETCHIKAN PUBLIC UTILITIES
2022 Operating and Capital Budget
Telecommunications Division

Operations 5300

DIVISION SUMMARY							
Expenditures by Category	2020	2021 Budget			2022	2021 Adopted/2022	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	5,846,817	6,078,902	6,075,612	5,656,890	5,966,181	(112,721)	-1.9%
Supplies	1,008,674	849,000	856,500	848,500	888,500	39,500	4.7%
Contract/Purchased Services	6,346,453	6,297,455	6,289,955	6,135,455	6,361,821	64,366	1.0%
Minor Capital Outlay	24,367	18,000	18,000	18,000	18,000	-	0.0%
Interdepartmental Charges-Public Safety	(10,922)	-	-	-	-	-	NA
Interdepartmental Charges	1,031,189	1,052,930	1,056,220	1,003,380	1,103,220	50,290	4.8%
Debt Service	311,522	1,172,259	1,172,259	1,172,259	1,171,509	(750)	-0.1%
Payment in Lieu of Taxes	206,358	206,358	206,358	206,358	222,046	15,688	7.6%
Total Expenditures	14,764,458	15,674,904	15,674,904	15,040,842	15,731,277	56,373	0.4%
Funding Source	2020	2021 Budget			2022	2021 Adopted/2022	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	14,764,458	15,674,904	15,674,904	15,040,842	15,731,277	56,373	0.4%
Total Funding	14,764,458	15,674,904	15,674,904	15,040,842	15,731,277	56,373	0.4%
Full-time Equivalent Personnel	2020	2021 Budget		2022		2021 Adopted/2022	
	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	48,942	-	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	64,750	-	0.0%
Access Rate Specialist	1.00	1.00	1.00	1.00	63,773	-	0.0%
Accounting Technician	1.00	1.00	1.00	1.00	53,040	-	0.0%
ENGINEERING SERVICES							
Engineering Manager	1.00	1.00	1.00	1.00	160,995	-	0.0%
Engineer	1.00	1.00	1.00	1.00	123,237	-	0.0%
Senior Datacenter Engineer	1.00	1.00	1.00	1.00	132,762	-	New
Outside Plant Engineer	1.00	1.00	1.00	1.00	117,854	-	0.0%
PLANT SPECIFIC							
Outside Plant Foreman	1.00	1.00	1.00	1.00	95,061	-	0.0%
Journeyman Cable Splicer	2.00	2.00	2.00	2.00	176,888	-	0.0%
Journeyman Combination Tech	7.00	7.00	7.00	7.00	588,224	-	0.0%
Inside Plant Foreman	2.00	2.00	2.00	2.00	210,164	-	0.0%
Journeyman CO Network Tech	8.00	8.00	8.00	8.00	787,712	-	0.0%
Sr. Customer Support Specialist	1.00	2.00	2.00	2.00	115,208	-	0.0%
Customer Support Specialist	4.00	3.00	3.00	3.00	154,244	-	0.0%
PLANT NON-SPECIFIC							
Plant Manager	1.00	1.00	1.00	1.00	-	-	0.0%
Plant Service Clerk	3.00	3.00	3.00	3.00	200,985	-	0.0%
Warehouse Worker	1.00	1.00	1.00	1.00	74,485	-	0.0%
Warehouse Worker/Laborer	1.00	1.00	1.00	1.00	66,331	-	0.0%
Total	41.00	41.00	41.00	41.00	3,576,811	-	0.0%



OPERATING BUDGET CHANGES FOR 2022

Changes between the adopted operating budget for 2021 and the proposed operating budget for 2022 that are greater/lesser than 5% and \$5,000 are discussed below:

- Maintenance Materials - Infrastructure (Account No. 515.05) increased by \$30,000, or by 5.0%, due to the alarming increases in materials such as conduit and cabling, as well as electronic equipment, calculated a 9% increase in those items.
- Freight-Materials & Supplies (Account No. 520.04) increased by \$9,000, or by 21.4%, due to increasing freight costs over the last couple of years.
- Travel - Business (Account No. 600.01) increased by \$16,875, or by 150.0%, due to the business necessity for KPU to remain engaged in the legislative and regulatory arenas. Travel budgets were cut by 75% in 2021 due to limited travel expectations during the pandemic. The industry is starting to have in person events now. KPU will need to resume its presence at industry events and in front of legislators in order to lobby for continued financial support in both the state and federal jurisdictions.
- Travel - Training (Account No. 600.02) increased by \$11,250, or by 150.0%, due to the business necessity for KPU to continue to train employees so they may accrue the requisite knowledge and certifications to be proficient in their job duties. Travel budgets were cut by 75% in 2021 due to limited travel expectations during the pandemic. This would recoup half of the 75% cut in 2021 which will allow staff to minimally keep current on training.
- Travel - Training and Education (Account No. 600.03) increased by \$5,740, or by 151.1%, due to the business necessity for KPU to continue to train and educate employees so they may accrue the requisite knowledge and certifications to be proficient in their job duties. Travel budgets were cut by 75% in 2021 due to limited travel expectations during the pandemic. This would recoup half of the 75% cut in 2021 which will allow staff to minimally keep current on training.
- Ads & Public Announcements (Account No. 605.01) decreased by \$11,500, or 23.0%, due to a reduction in yellow page advertising costs since the division did not publish a directory for the June 2021 to July 2022 period. The division has a half year of yellow page advertising for KPU services included in this account.
- Grant Awards (Account No. 610.02) increased by \$9,172, or by 17.5%, due to the division's share of the City's Community Grant Program.
- Building & Operating Permits (Account No. 630.01) increased by \$35,000, or 19.4%, due to an increase in the federal universal service fund surcharge that is paid out of this account.
- Other Contractual Services (Account No. 635.14) increased by \$13,000, or 11.8%, due to annual contractual costs to join a consortium that will respond to a subsea fiber cable break or damage.
- Engineering and Architectural Services (Account No. 640.02) decreased by \$20,000, or by 8.9%, due to anticipated savings in reducing reliance on outside vendors for specialized professional services.

KETCHIKAN PUBLIC UTILITIES
2022 Operating and Capital Budget
Telecommunications Division

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- Telecommunications (Account No. 650.01) increased by \$16,000, or by 10.4%, due to additional services required for technicians to have network access for the ticketing and troubleshooting tools while in the field.
- Electric, Water, Sewer & Solid Waste (Account No. 650.02) decreased by \$30,000, or by 11.3%, due to reduction in electrical billings due to the diesel surcharge being removed.
- Interdepartmental Charges increased by \$50,290, or by 4.8%, primarily due to increased insurance premiums and increased costs associated with services provided by City departments to the Telecommunications Division.
- Debt Service-Interest (Account No. 932.01) decreased by \$30,935, or by 6.5%, due to the decrease in interest expense as the bond and interfund loan principal is decreased.
- Payment in Lieu of Taxes (Account No. 975.00) increased by \$15,688, or by 7.6%, due to the projected increase in mill rate.

DIVISION OPERATING BUDGET DETAIL

Operating Expenditures			2020	2021 Budget			2022	2021 Adopted/2022	
			Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits									
500	.01	Regular Salaries and Wages	3,461,630	3,662,352	3,578,352	3,379,320	3,576,811	(85,541)	-2.3%
501	.01	Overtime Wages	321,612	250,000	322,000	322,000	250,000	-	0.0%
502	.01	Temporary Wages	22,880	14,500	26,500	26,500	14,500	-	0.0%
505	.00	Payroll Taxes	284,748	300,410	300,410	283,520	293,860	(6,550)	-2.2%
506	.00	Pension	635,752	641,570	641,570	592,300	624,990	(16,580)	-2.6%
507	.00	Health and Life Insurance	890,312	1,042,030	1,038,740	891,960	1,025,900	(16,130)	-1.5%
507	.30	Workers Compensation	58,125	63,800	63,800	57,050	57,160	(6,640)	-10.4%
508	.00	Other Benefits	130,053	80,740	80,740	80,740	95,960	15,220	18.9%
509	.04	Allowances-KPU Clothing	4,830	5,000	5,000	5,000	5,000	-	0.0%
509	.07	Allowances- Moving Expense	33,449	15,000	15,000	15,000	15,000	-	0.0%
509	.09	Allowances-Incentive Pay	3,426	3,500	3,500	3,500	7,000	3,500	100.0%
Personnel Services and Benefits			5,846,817	6,078,902	6,075,612	5,656,890	5,966,181	(112,721)	-1.9%
Supplies									
510	.01	Office Supplies	6,306	15,000	12,000	12,000	12,000	(3,000)	-20.0%
510	.02	Operating Supplies	22,324	20,000	23,000	23,000	23,000	3,000	15.0%
510	.03	Safety Program Supplies	3,195	19,000	19,000	12,000	19,000	-	0.0%
510	.04	Janitorial Supplies	4,924	6,000	6,000	5,000	5,000	(1,000)	-16.7%
510	.05	Small Tools & Equipment	33,792	35,000	35,000	35,000	35,000	-	0.0%
510	.07	Food & Catering	103	1,000	1,000	1,000	1,000	-	0.0%
510	.08	Inventory for Resale	29,297	25,000	25,000	25,000	25,000	-	0.0%
515	.01	Vehicle Maintenance Materials	25,527	25,000	25,000	25,000	25,000	-	0.0%
515	.02	Building & Grounds Maint Materials	20,282	13,000	13,000	13,000	13,000	-	0.0%
515	.05	Infrastructure & Plant Maint Materials	763,250	595,000	595,000	595,000	625,000	30,000	5.0%
520	.02	Postage	206	1,000	1,000	1,000	1,000	-	0.0%
520	.04	Freight-Materials & Supplies	51,021	42,000	48,000	48,000	51,000	9,000	21.4%
525	.03	Heating Fuel	4,329	6,500	6,500	6,500	6,500	-	0.0%
525	.04	Vehicle Motor Fuel & Lubricants	26,886	27,000	27,000	27,000	27,000	-	0.0%
530	.02	Periodicals	313	500	1,000	1,000	1,000	500	100.0%
530	.03	Professional & Technical Publications	871	1,000	2,000	2,000	2,000	1,000	100.0%
535	.02	Business and Meal Expenses	219	1,000	1,000	1,000	1,000	-	0.0%
535	.04	Uniforms/Badges/Clothing	15,829	16,000	16,000	16,000	16,000	-	0.0%
Supplies			1,008,674	849,000	856,500	848,500	888,500	39,500	4.7%

KETCHIKAN PUBLIC UTILITIES
2022 Operating and Capital Budget
Telecommunications Division

Operations 5300

Operating Expenditures		2020	2021 Budget		Estimate	2022	2021 Adopted/2022		
		Actual	Adopted	Amended		Budget	Incr(Decr)	%	
Contract/Purchased Services									
600	.01	Travel-Business	12,663	11,250	11,250	11,250	28,125	16,875	150.0%
600	.02	Travel-Training	883	7,500	7,500	7,500	18,750	11,250	150.0%
600	.03	Travel-Training and Education	8,246	3,800	3,800	3,800	9,540	5,740	151.1%
605	.01	Ads & Public Announcements	51,842	50,000	42,500	26,000	38,500	(11,500)	-23.0%
605	.02	Marketing	-	1,000	1,000	1,000	1,000	-	0.0%
610	.01	Community Promotion	1,167	4,000	4,000	4,000	4,000	-	0.0%
610	.02	Grant Awards	60,255	52,405	52,405	52,405	52,406	1	0.0%
615	.01	Professional Licenses & Cert	-	250	250	250	250	-	0.0%
615	.02	Assn. Membership Dues & Fees	43,883	46,000	46,000	46,000	46,000	-	0.0%
630	.01	Building & Operating Permits	182,296	180,000	215,000	215,000	215,000	35,000	19.4%
630	.02	Vehicle Licenses	324	500	500	500	500	-	0.0%
630	.03	Bank & Merchant Fees	3,972	4,000	4,000	4,000	4,000	-	0.0%
630	.04	Broadcast Content Fees	1,436,792	1,625,000	1,590,000	1,500,000	1,600,000	(25,000)	-1.5%
630	.05	Software Licenses	-	500	500	500	500	-	0.0%
630	.06	Service Charges and Fees	-	250	250	250	250	-	0.0%
635	.02	Janitorial & Cleaning Services	20,580	21,000	21,000	21,000	21,000	-	0.0%
635	.03	Vehicle Maintenance Services	4,160	20,000	20,000	20,000	20,000	-	0.0%
635	.04	Software & Equip. Maint. Services	524,338	575,000	575,000	575,000	585,000	10,000	1.7%
635	.06	Building and Grounds Maint. Svc	10,069	16,000	16,000	12,000	12,000	(4,000)	-25.0%
635	.07	Machinery & Equipment Maint. Svc	2,948	8,000	8,000	5,000	5,000	(3,000)	-37.5%
635	.08	Infrastructure Maint. Services	24,840	65,000	65,000	65,000	65,000	-	0.0%
635	.12	Technical Services	94,001	105,000	118,000	118,000	105,000	-	0.0%
635	.14	Other Contractual Services	77,141	110,000	110,000	95,000	123,000	13,000	11.8%
640	.01	Legal and Accounting Services	57,000	50,000	37,000	37,000	50,000	-	0.0%
640	.02	Engineering & Architectural Services	169,187	225,000	225,000	205,000	205,000	(20,000)	-8.9%
640	.04	Management & Consulting Services	84,951	125,000	125,000	125,000	125,000	-	0.0%
645	.01	Rents and Leases-Land & Buildings	174,598	190,000	190,000	190,000	190,000	-	0.0%
645	.02	Rents and Leases-Machinery & Equip	448	2,000	2,000	2,000	2,000	-	0.0%
645	.04	Rents and Leases-Infrastructure	2,911,060	2,380,000	2,380,000	2,380,000	2,430,000	50,000	2.1%
650	.01	Telecommunications	165,634	154,000	178,000	178,000	170,000	16,000	10.4%
650	.02	Electric, Water, Sewer & Solid Waste	223,175	265,000	241,000	235,000	235,000	(30,000)	-11.3%
Contract/Purchased Services			6,346,453	6,297,455	6,289,955	6,135,455	6,361,821	64,366	1.0%
Minor Capital Outlay									
790	.15	Furniture and Fixtures	2,275	7,500	7,500	7,500	7,500	-	0.0%
790	.25	Machinery and Equipment	15,869	10,000	10,000	10,000	10,000	-	0.0%
790	.26	Computers, Printers & Copiers	3,475	-	-	-	-	-	0.0%
790	.35	Software	2,748	500	500	500	500	-	0.0%
Minor Capital Outlay			24,367	18,000	18,000	18,000	18,000	-	0.0%
Interdepartmental Charges-Public Safety									
820	.90	Interdept'l-Public Safety Compliance-C	(10,922)	-	-	-	-	-	NA
Interdepartmental Charges			(10,922)	-	-	-	-	-	NA
Interdepartmental Charges									
800	.00	Interdept'l-Administrative	151,147	167,360	167,780	167,980	172,160	4,800	2.9%
801	.01	Interdept'l-Human Resources	95,803	93,110	93,110	71,840	98,470	5,360	5.8%
802	.00	Interdept'l-Finance	397,557	403,310	402,890	374,210	404,980	1,670	0.4%
803	.01	Interdept'l-Information Tech	280,545	269,220	269,220	266,130	284,490	15,270	5.7%
825	.01	Interdept'l-Insurance	106,137	119,930	123,220	123,220	143,120	23,190	19.3%
Interdepartmental Charges			1,031,189	1,052,930	1,056,220	1,003,380	1,103,220	50,290	4.8%

KETCHIKAN PUBLIC UTILITIES
2022 Operating and Capital Budget
Telecommunications Division

Operations 5300

Operating Expenditures	2020 Actual	2021 Budget			2022 Budget	2021 Adopted/2022	
		Adopted	Amended	Estimate		Incr(Decr)	%
Debt Service							
931 .01 Debt Service-Principal	-	694,627	694,627	694,627	724,812	30,185	4.3%
932 .01 Debt Service-Interest	311,522	477,632	477,632	477,632	446,697	(30,935)	-6.5%
Debt Service	311,522	1,172,259	1,172,259	1,172,259	1,171,509	(750)	-0.1%
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	14,764,458	15,674,904	15,674,904	15,040,842	15,731,277	56,373	0.4%

NARRATIVE

500.01 Regular Salaries and Wages: \$3,576,811 – This account provides expenditures for the cost of annual salaries and wages paid to the employees of the Telecommunications Division.

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

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

505.00 Payroll Taxes: \$293,860 – This account provides expenditures for employer contributions for Social Security and Medicare and other similar payroll related taxes.

506.00 Pension: \$624,990 – 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: \$1,025,900 – This account provides expenditures for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation: \$57,160 – This account provides expenditures for employer contributions to workers compensation insurance.

508.00 Other Benefits: \$95,960 – 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: \$7,000 – This account provides expenditures for employee incentive and suggestion programs. These benefits are taxable to the employees.

510.01 Office Supplies: \$12,000 – 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.

KETCHIKAN PUBLIC UTILITIES

2022 Operating and Capital Budget

Telecommunications Division

Operations 5300

510.02 Operating Supplies: \$23,000 – 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: \$5,000 – This account provides expenditures for cleaning and sanitation supplies used by in-house and contracted janitors.

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

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

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

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

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

515.05 Infrastructure and Plant Maintenance Materials: \$625,000 – 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: \$51,000 – This account provides expenditures for shipping or transporting supplies and material to and from vendors.

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

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

530.02 Periodicals: \$1,000 – This account provides expenditures for the purchase of newspaper, magazine and trade journal subscriptions.

530.03 Professional and Technical Publications: \$2,000 – 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: \$28,125 – This account provides expenditures for transportation, lodging, meals, per diems and other incidental expenses associated with travel for business and trade meetings.

KETCHIKAN PUBLIC UTILITIES

2022 Operating and Capital Budget

Telecommunications Division

Operations 5300

600.02 Travel-Training: \$18,750 – This account provides expenditures for transportation, lodging, meals, per diems and other incidental expenses associated with travel for training.

600.03 Training and Education: \$9,540 – 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: \$38,500 – This account provides expenditures for advertising and announcements in publications, newspapers, trade journals, Internet or broadcasts over radio and television. Included are legal notices, public service announcements, community issues, recruiting, requests for proposals, contracts, directory yellow page advertising and advertisements for sales of property and equipment.

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

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

610.02 Grant Awards: \$52,406 – This account provides expenditures for the Telecommunications Division's share of the City's Community Grant Program.

615.01 Professional and Technical Licenses: \$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: \$215,000 – This account provides expenditures for permits for construction, right-of-ways, and easements and regulatory fees for operations. Included in this account are USAC USF contributions, Interstate TRS for hearing impaired fees and caller ID data dip fees.

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

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

630.04 Broadcast Content Fees: \$1,600,000 – This account provides expenditures for the right to broadcast copyrighted intellectual property over the Telecommunications Division's IPTV network. Fees are generally paid on a per customer basis. Customer demand for existing and new programming services as well as programming rates negotiated with content providers determine what the Telecommunication Division must pay for its television content.

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

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

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

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

635.04 Software and Equipment Maintenance Services: \$585,000 – 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, end user and carrier billing systems.

635.06 Building and Grounds Maintenance Services: \$12,000 – 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: \$5,000 – This account provides expenditures for the repair and maintenance of office equipment, machinery and other operating equipment owned or leased by the City/KPU. This account includes contract labor and materials required to provide the service. It also includes service maintenance agreements for equipment that does not require software support and are paid on either a fixed fee or fee based on usage.

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

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

635.14 Other Contractual Services: \$123,000 – 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, subsea fiber cable maintenance consortium and engineering design services.

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

640.02 Engineering & Architectural Services: \$205,000 – 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 engagements requiring persons or firms with specialized skills and knowledge.

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

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

645.04 Rents and Leases – Infrastructure: \$2,430,000 – 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, subsea fiber cable consortium, charges related to providing Internet connectivity, charges for DSL services, electric pole attachments and wholesale long distance minutes.

650.01 Telecommunications: \$170,000 – 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: \$235,000 – This account provides expenditures for electric, water, sewer, and solid waste utility services.

KETCHIKAN PUBLIC UTILITIES

2022 Operating and Capital Budget

Telecommunications Division

Operations 5300

790.15 Furniture and Fixtures: \$7,500 – This account provides expenditures for acquisition of furniture and fixtures. Included are desks, chairs, tables, workstations, file cabinets, storage cabinets and building fixtures replaced as needed. Additional desks will be purchased for customer demonstrations.

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: \$172,160 – 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: \$98,470 – This account provides expenditures for human resource services provided by the Human Resources Division.

802.00 Interdepartmental Charges - Finance: \$404,980 – 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: \$284,490 – This account provides expenditures for information technology services provided by the Information Technology Department.

825.01 Interdepartmental Charges – Insurance: \$143,120 – This account provides expenditures for risk management services and claims.

931.01 Debt Service-Principal: \$724,812 – This account provides expenditures for principal on bonds, loans, capital leases and other financing arrangements.

932.01 Debt Service-Interest: \$446,697 – 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

- ACME – ACME Telecom and Network Solutions is a vendor we purchase equipment from.
- AFC – Advanced Fiber Communication is a legacy vendor that supplied previous generation of DSL equipment.
- AOE – Advanced Operational Environment.
- AUP – Acceptable Use Policy: A policy which applies to customers and defines what is considered an acceptable use of their services purchased from KPU.
- CentOS – Community driven free computer operating system based on Linux.
- CER – Compact Edge Router: A router, manufactured and sold by Brocade, used to deliver IP services to KPU customers.
- DNS – Domain Name System: Assigns IP address' to devices.
- DU – Baseband Digital Unit: A component of the Ericsson 4G/LTE network, and part of the Verizon network.
- FTTH – Fiber to the Home.
- GR303 POTS – Legacy Plain Old Telephone Service (POTS) signaling system.

- IPTV – Internet Protocol Television: Technology for delivering video content to customers utilizing Internet Protocol.
- ipv4 – Internet Protocol version 4: Fourth version of the Internet Protocol.
- IRU – Indefeasible Rights of Use: A permanent contractual agreement to use capacity on a network or facility.
- K71 – KPU remote equipment location within the City Hall building at 334 Front Street.
- MDU – Is a Multi Dwelling Unit of apartments, rooms, or businesses.
- MLX Core Router – A router manufactured and sold by Brocade, used to deliver IP services to KPU customers.
- MPEG – Moving Picture Experts Group (Video). MPEG-4 is Fourth Generation Video Encoding.
- NEC – NEC Corporation of America: Provides our microwave equipment platform.
- NTP Servers – Network Time Protocol: Similar to a BITS clock, it provides GPS timing to IP connected devices, such as routers, switches, and servers.
- ONT – An Optical Network Terminal is a network interface device used in fiber-optic systems.
- OSHA – Occupational Safety and Health Administration.
- PSAP – Public Safety Answering Point for receiving 911 calls.

KETCHIKAN PUBLIC UTILITIES
2022 Operating and Capital Budget
Telecommunications Division

Capital Budget

Major Capital Outlay	2020 Actual	2021 Budget			2022 Budget	2021 Adopted/2022	
		Adopted	Amended	Estimate		Incr(Decr)	%
700.00 Land	36,100	-	-	-	-	-	0.0%
705.00 Buildings	15,808	10,000	10,000	10,000	10,000	-	0.0%
720.00 Vehicles & Moving Equipment	145,369	-	-	-	-	-	0.0%
725.00 Machinery and Equipment	84,896	55,000	67,000	67,000	65,000	10,000	18.2%
730.00 Infrastructure	11,560,424	2,110,000	2,098,000	1,840,400	1,356,866	(753,134)	-35.7%
Total Major Capital Outlay	11,842,597	2,175,000	2,175,000	1,917,400	1,431,866	(743,134)	-34.2%

Capital Improvement Projects		Funding Sources			
Project #	Project	KPU Enterprise Fund	Grants	Bonds	Total
705.00 Buildings					
	Regulated				
	Normal Growth and Repair - Buildings	10,000			10,000
	Total Buildings	10,000	-	-	10,000
725.00 Machinery and Equipment					
	Regulated				
	PC Hardware and Software	50,000			50,000
	Operating Equipment	15,000			15,000
	Total Machinery and Equipment	65,000	-	-	65,000
730.00 Infrastructure					
	Regulated				
	Normal Growth and Repair - Copper Cable	20,000			20,000
	Normal Growth and Repair - Fiber Cable	100,000			100,000
	Normal Growth and Repair - CO Transmission	150,000			150,000
	Normal Growth and Repair - Provisioning	10,000			10,000
	Fiber to the Home	224,266			224,266
	Remote Cabinets for Advanced Services	10,000			10,000
	Core Network Upgrade	80,000			80,000
	Server Environment	60,000			60,000
	Multi-Dwelling Unit Project	60,000			60,000
	Power Expansion/Reclamation	5,000			5,000
	Visual Mapping Software	10,000			10,000
	Network Monitoring	110,000			110,000

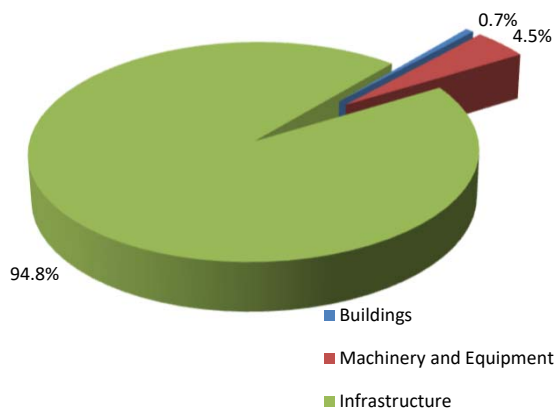
KETCHIKAN PUBLIC UTILITIES
2022 Operating and Capital Budget
Telecommunications Division

Capital Budget

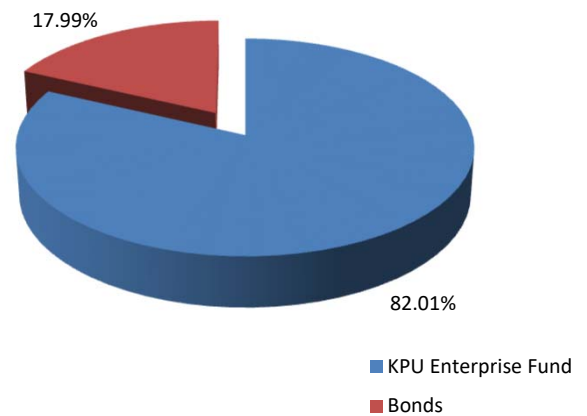
2021 Capital Improvement Projects (continued)

2021 Capital Improvement Projects (continued)		Funding Sources			
Project #	Project	KPU	Grants	Bonds	Total
		Enterprise Fund			
730.00 Infrastructure (continued)					
	Non-Regulated				
	Video Set Top Boxes	80,000			80,000
	4G/LTE	60,000			60,000
	Hosted	80,000			80,000
	WiFi	40,000			40,000
	Internet Expansion			257,600	257,600
	Total Infrastructure	1,099,266	-	257,600	1,356,866
	Total Capital Budget	1,174,266	-	257,600	1,431,866

Expenditures by Type



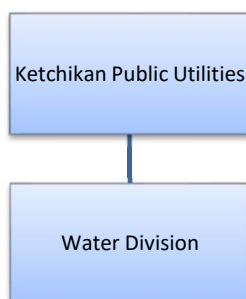
Expenditures by Funding Source



KETCHIKAN PUBLIC UTILITIES
2022 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	2020 Actual	2021 Budget			2022 Budget	2021 Adopted/2022	
		Adopted	Amended	Estimate		Incr(Decr)	%
Operations	3,214,565	3,854,803	3,854,803	3,590,399	3,964,156	109,353	2.8%
Capital Improvement Program	1,059,104	8,745,377	8,775,377	7,754,166	1,146,132	(7,599,245)	-86.9%
Total	4,273,669	12,600,180	12,630,180	11,344,565	5,110,288	(7,489,892)	-59.4%

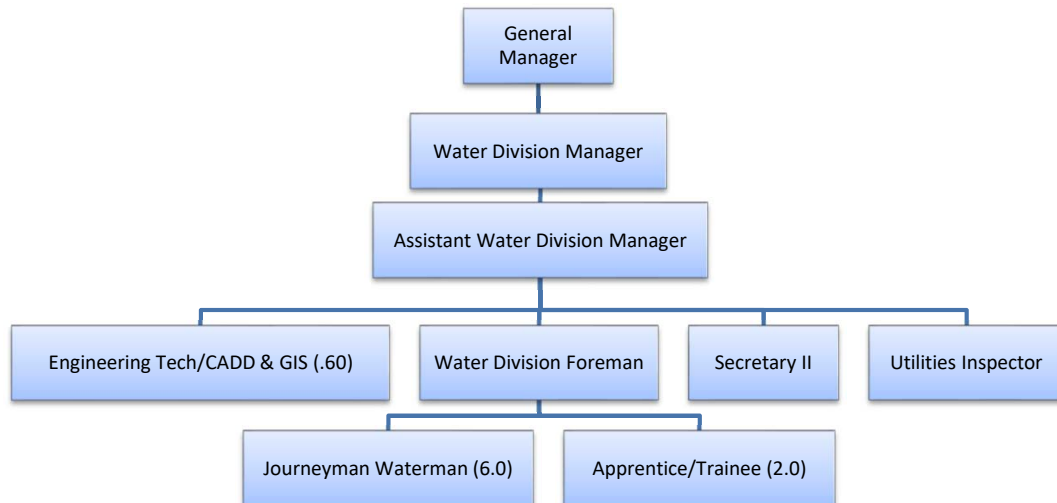
Expenditures by Category	2020 Actual	2021 Budget			2022 Budget	2021 Adopted/2022	
		Adopted	Amended	Estimate		Incr(Decr)	%
Personnel Services and Benefits	1,622,040	1,781,456	1,781,456	1,639,500	1,867,737	86,281	4.8%
Supplies	339,566	304,511	302,011	294,198	309,611	5,100	1.7%
Contract/Purchased Services	354,544	507,925	510,425	447,200	496,925	(11,000)	-2.2%
Minor Capital Outlay	3,639	3,000	2,900	-	3,000	-	0.0%
Interdepartmental Charges-Public Safety	(20,595)	-	-	-	-	-	NA
Interdepartmental Charges	414,366	452,516	452,616	404,106	466,515	13,999	3.1%
Debt Service	303,356	607,746	607,746	607,746	607,746	-	0.0%
Payment in Lieu of Taxes	197,649	197,649	197,649	197,649	212,622	14,973	7.6%
Major Capital Outlay	1,059,104	8,745,377	8,775,377	7,754,166	1,146,132	(7,599,245)	-86.9%
Total	4,273,669	12,600,180	12,630,180	11,344,565	5,110,288	(7,489,892)	-59.4%

Funding Source	2020 Actual	2021 Budget			2022 Budget	2021 Adopted/2022	
		Adopted	Amended	Estimate		Incr(Decr)	%
KPU Enterprise Fund	3,474,485	4,751,503	4,781,503	4,146,501	4,459,675	(291,828)	-6.1%
Bonds	799,184	7,848,677	7,848,677	7,198,064	650,613	(7,198,064)	-91.7%
Total	4,273,669	12,600,180	12,630,180	11,344,565	5,110,288	(7,489,892)	-59.4%

Personnel	2020 Actual	2021 Budget		2022		2021 Adopted/2022	
		Adopted	Amended	Budget	Salary	Incr(Decr)	%
Operations	11.60	12.60	12.60	13.60	1,069,187	1.00	7.9%
Total	11.60	12.60	12.60	13.60	1,069,187	1.00	7.9%

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 2022

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

- Achieving the goal of having all of Ketchikan's businesses, commercial buildings, and large residential apartment complexes fully metered before the end of 2022 will require continued significant effort as there are still approximately 225 unmetered businesses and large apartment buildings remaining. Progress has been slow during 2021 as the continuing coronavirus pandemic has severely affected material deliveries for both water meters as well as the radio-frequency nodes that allow them to electronically communicate and transmit information to KPU's electric meters. Although additional meters have been installed in the commercial downtown area, they can't communicate until each has a node installed. The promised delivery dates for KPU's October 2020 order of additional nodes continues to slip drastically. The vendor's latest shipment estimate is now October 2021. In addition, before this entire project becomes fully operational in 2023, the 2016 Water/ Wastewater Rate Study will need to be updated as well as amendments made to the Ketchikan Municipal Code, anticipated to take place in 2023.
- As directed by the City Council at the December 9, 2020 City Council meeting, recruit, hire, and train a second full-time apprentice/trainee in preparation for the eligible retirement of two Journeyman Watermen. Should these Journeymen elect to retire within a few years, without replacements, it will represent a nearly 30% loss of current staff. An apprenticeship requires 4 years to complete before that person is fully trained and qualified to become a Journeyman Waterman. During that 4-year period, the apprentice is not only receiving individual instruction in all the daily preventative maintenance routines that are necessary to keep the utility's equipment fully operational, they also have to study and pass comprehensive ADEC qualification tests to demonstrate that they understand the technical aspects of their chosen profession.

ACCOMPLISHMENTS FOR 2021

Filtration-Avoidance and Limited Alternative to Filtration Solution

At their meeting of May 20, 2021 the City Council approved the draft Compliance Order by Consent (COBC) prepared by the Alaska Department of Environmental Conservation (ADEC). It contains provisions that KPU must demonstrate in order to qualify for a Limited Alternative to Filtration (LAF). They are:

- a. The system has "uninhabited, undeveloped watersheds in consolidated ownership."
- b. The system has control over both "access to, and activities in, those watersheds."
- c. The system's source water quality and the alternative treatment requirements established by the state must ensure greater removal or inactivation efficiencies of pathogens than would otherwise result from the treatment requirements stipulated by regulations.

The Division has engaged Jacobs Engineering for professional services supporting Ketchikan attaining a LAF. Tasks include preparations of a Watershed Control Program, a Source Water Control Study, the Provisions for Public Involvement in the COBC as set out by the EPA, and a report demonstrating how Ketchikan's present disinfection process already exceeds the requirements of national drinking water regulations. The fifth task, Consolidated Ownership Status of the Watershed, is felt to be entirely a legal matter and best handled by the municipal attorney with support as needed provided by Perkins-Coie, a legal firm who are already familiar with the consolidated property ownership that has been questioned earlier by the EPA.

Extensive research including collection of all the necessary documentation continues as individual responses are being prepared for each of the five identified COBC Action Items. A Public Involvement Meeting was held on October 20th and was held at the Ted Ferry Civic Center. It was broadcast on KPUtv, Channel 675, and live-streamed on the City of Ketchikan's Facebook page and a presentation to the City Council was given at the October 21 City Council meeting. There will also be a presentation to the City Council at their meeting the following evening. As a result, all of the COBC Action Items' studies and reports should be completed and delivered to ADEC well before the specified date of May 31, 2022 that is identified in the COBC document.

Schoenbar Road Raw Water Main Replacement - Contract 21-01

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

KETCHIKAN PUBLIC UTILITIES**2022 Operating and Capital Budget****Water Division****Operations 5400**

KPU has received the necessary easements that are needed to cross Borough and School District properties. The School District has requested that the easements include accommodation for the school buses that are transporting students daily to the Schoenbar Middle School and Ketchikan Charter Schools during the school year. All work in those areas must occur within the 75-day window that is available during the period of June 1 to August 15 when school is not in session. Similarly, since Norman Walker Field and Valley Park Field are also being used daily for community recreation purposes during the summer months, the Borough has placed seasonal restrictions on when construction can occur. The construction work must only occur during the 198-day fall and winter period between the dates of August 15 and March 1. Although the remainder of the work in the center of the project can be completed at any time, the result will be that this construction project's work is broken up into five unconnected, disjointed segments.

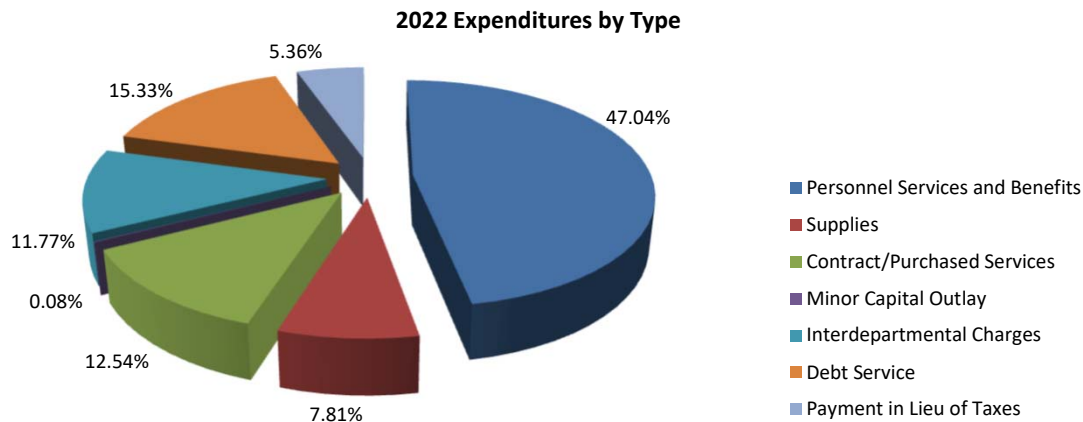
KPU's request for these necessary easements were approved by the Borough Assembly at their meeting of August 16th. This, together with ADEC's Loan requirements which include a minimum bid duration of 30 days, resulted in an Award of Bid at the City Council's October 7th meeting. The contractor will order materials and prepare a construction schedule that will likely begin with the difficult installation of the two 42-inch HDPE connection points and may not start before early 2022. Completion will likely extend into mid-2023.

DIVISION SUMMARY

Expenditures by Category	2020 Actual	2021 Budget			2022 Budget	2021 Adopted/2022	
		Adopted	Amended	Estimate		Incr(Decr)	%
Personnel Services and Benefits	1,622,040	1,781,456	1,781,456	1,639,500	1,867,737	86,281	4.8%
Supplies	339,566	304,511	302,011	294,198	309,611	5,100	1.7%
Contract/Purchased Services	354,544	507,925	510,425	447,200	496,925	(11,000)	-2.2%
Minor Capital Outlay	3,639	3,000	2,900	-	3,000	-	0.0%
Interdepartmental Charges-Public Safety	(20,595)	-	-	-	-	-	NA
Interdepartmental Charges	414,366	452,516	452,616	404,106	466,515	13,999	3.1%
Debt Service	303,356	607,746	607,746	607,746	607,746	-	0.0%
Payment in Lieu of Taxes	197,649	197,649	197,649	197,649	212,622	14,973	7.6%
Total Expenditures	3,214,565	3,854,803	3,854,803	3,590,399	3,964,156	109,353	2.8%

Funding Source	2020 Actual	2021 Budget			2022 Budget	2021 Adopted/2022	
		Adopted	Amended	Estimate		Incr(Decr)	%
KPU Enterprise Fund	3,214,565	3,854,803	3,854,803	3,590,399	3,964,156	109,353	2.8%
Total Funding	3,214,565	3,854,803	3,854,803	3,590,399	3,964,156	109,353	2.8%

Personnel	2020 Actual	2021 Budget		2022		2021 Adopted/2022	
		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	1.00	1.00	1.00	1.00	125,177	-	0.0%
Foreman	1.00	1.00	1.00	1.00	87,131	-	0.0%
Journeyman Waterman	6.00	6.00	6.00	6.00	460,392	-	0.0%
Apprentice/ Trainee	-	1.00	1.00	2.00	100,360	1.00	100.0%
Utility Inspector	1.00	1.00	1.00	1.00	72,010	-	0.0%
Eng Tech/KPU-CADD & GIS	0.60	0.60	0.60	0.60	40,872	-	0.0%
Secretary II	1.00	1.00	1.00	1.00	51,730	-	0.0%
Total	11.60	12.60	12.60	13.60	1,069,187	1.00	7.9%



OPERATING BUDGET CHANGES FOR 2022

Changes between the adopted operating budget for 2021 and the proposed operating budget for 2022 where a line item's increase or decrease is more than \$5,000 and more than 5% from the prior year are discussed below:

- Personnel Services and Benefits increased by \$86,281, or by 4.8%, primarily due to the proposed addition of a second apprentice/trainee and the rising cost of certain other benefits.
- Infrastructure & Plant Maintenance Materials (Account No. 515.05) increased by \$5,000, or by 5.6%, in preparation for the increasing possibility of additional water transmission main failures. The 36" raw water transmission main will be under construction in 2022, but not completed until 2023, so there is still a distinct possibility it could fail again in 2022. In addition, it is expected to see an escalation in vendor and shipping costs for these materials.
- Travel - Business (Account No. 600.01) decreased by \$12,500, or by 100.0%, to reflect that any business travel involved while a Limited Alternative to Filtration (LAF) is being sought by KPU is expensed to Capital Account 5400-2019-007, Water Filtration Facility Project.
- Interdepartmental - Insurance (Account No. 825.01) increased by \$7,520, or by 13.6%, due to rising insurance premiums.
- Payment in Lieu of Taxes (Account No. 975.00) increased by \$14,973, or by 7.6% due to a proposed increase in the property tax millage rate to 7.1 in 2022.

DIVISION OPERATING BUDGET DETAIL

Operating Expenditures		2020	2021 Budget			2022	2021 Adopted/2022	
		Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits								
500	.01 Regular Salaries and Wages	965,678	1,015,086	1,015,086	970,360	1,069,187	54,101	5.3%
501	.01 Overtime Wages	69,380	79,100	79,100	62,400	79,100	-	0.0%
505	.00 Payroll Taxes	77,533	83,710	83,710	77,960	87,850	4,140	4.9%
506	.00 Pension	183,729	203,050	203,050	186,150	215,060	12,010	5.9%
507	.00 Health and Life Insurance	274,433	348,260	348,260	292,910	357,440	9,180	2.6%
507	.30 Workers Compensation	26,612	28,600	28,600	26,070	26,740	(1,860)	-6.5%
508	.00 Other Benefits	22,155	20,380	20,380	20,380	29,090	8,710	42.7%
509	.04 Allowances-KPU Clothing	2,520	2,520	2,520	2,520	2,520	-	0.0%
509	.08 Allowances-Medical Expenses	-	750	750	750	750	-	0.0%
Personnel Services and Benefits		1,622,040	1,781,456	1,781,456	1,639,500	1,867,737	86,281	4.8%

KETCHIKAN PUBLIC UTILITIES
2022 Operating and Capital Budget
Water Division

Operations 5400

Operating Expenditures		2020	2021 Budget			2022	2021 Adopted/2022	
		Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Supplies								
510	.01 Office Supplies	3,881	3,500	3,500	3,300	3,500	-	0.0%
510	.02 Operating Supplies	5,363	9,000	9,000	8,500	9,000	-	0.0%
510	.03 Safety Program Supplies	2,910	3,500	3,500	3,000	3,500	-	0.0%
510	.04 Janitorial Supplies	744	450	450	450	450	-	0.0%
510	.05 Small Tools & Equipment	7,378	4,000	11,089	11,000	4,000	-	0.0%
510	.06 Chemicals	79,671	90,000	82,400	82,400	90,000	-	0.0%
515	.01 Vehicle Maintenance Materials	18,936	15,000	15,000	15,000	15,000	-	0.0%
515	.02 Building & Grounds Maint Materials	8,622	5,000	9,100	9,100	5,000	-	0.0%
515	.04 Machinery & Equip Maint Materials	77,982	60,000	60,000	55,000	60,000	-	0.0%
515	.05 Infrastructure & Plant Maint Materials	111,812	90,000	82,911	82,900	95,000	5,000	5.6%
520	.02 Postage	878	500	500	200	200	(300)	-60.0%
520	.03 Bulk Mailing	3,773	4,000	4,000	3,987	4,000	-	0.0%
520	.04 Freight-Materials & Supplies	2,237	3,000	3,000	2,500	3,000	-	0.0%
525	.04 Vehicle Motor Fuel & Lubricants	14,039	14,000	15,000	15,000	15,000	1,000	7.1%
525	.07 Machinery & Equip Fuel & Lubricants	281	1,000	900	400	400	(600)	NA
530	.02 Periodicals	161	161	161	161	161	-	0.0%
530	.03 Professional & Technical Publications	898	1,200	1,300	1,300	1,200	-	0.0%
535	.02 Business and Meal Expenses	-	200	200	-	200	-	0.0%
	Supplies	339,566	304,511	302,011	294,198	309,611	5,100	1.7%
Contract/Purchased Services								
600	.01 Travel-Business	6,095	12,500	12,500	-	-	(12,500)	-100.0%
600	.02 Travel-Training	20	750	750	750	750	-	0.0%
600	.03 Travel-Training and Education	705	3,000	3,000	910	4,000	1,000	33.3%
605	.01 Advertising and Public Announcements	614	1,200	1,500	1,500	1,200	-	0.0%
605	.02 Advertising and Publishing - Marketing	448	750	750	750	750	-	0.0%
610	.02 Grant Awards	18,540	16,125	16,125	16,125	16,125	-	0.0%
615	.01 Professional Licenses & Fees	735	1,000	1,000	920	1,000	-	0.0%
615	.02 Assn. Membership Dues & Fees	2,080	2,000	2,000	1,845	2,000	-	0.0%
630	.01 Building & Operating Permits	1,305	1,500	1,500	100	1,000	(500)	-33.3%
630	.02 Vehicle Licenses	49	100	100	100	100	-	0.0%
635	.04 Software Maintenance Services	7,780	12,000	12,000	11,500	12,000	-	0.0%
635	.06 Bldg & Grounds Maintenance Services	473	4,000	9,700	8,700	4,000	-	0.0%
635	.07 Machinery & Equipment Maint Services	995	20,000	20,000	15,000	20,000	-	0.0%
635	.08 Infrastructure Maintenance Services	21,429	40,000	40,000	35,000	40,000	-	0.0%
635	.12 Technical Services	42,945	70,000	66,500	50,000	70,000	-	0.0%
640	.02 Engineering & Architectural Services	16,900	100,000	100,000	85,000	100,000	-	0.0%
645	.02 Rents and Leases-Machinery & Equip	8,598	13,000	13,000	13,000	13,000	-	0.0%
650	.01 Telecommunications	47,817	35,000	36,000	36,000	36,000	1,000	2.9%
650	.02 Electric, Water, Sewer & Solid Waste	177,016	175,000	174,000	170,000	175,000	-	0.0%
	Contract/Purchased Services	354,544	507,925	510,425	447,200	496,925	(11,000)	-2.2%

KETCHIKAN PUBLIC UTILITIES
2022 Operating and Capital Budget
Water Division

Operations 5400

Operating Expenditures		2020	2021 Budget			2022	2021 Adopted/2022	
		Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Minor Capital Outlay								
790	.15 Furniture and Fixtures	-	1,000	900	-	-	(1,000)	-100.0%
790	.26 Computers, Printers and Copiers	3,639	2,000	2,000	-	3,000	1,000	50.0%
	Minor Capital Outlay	3,639	3,000	2,900	-	3,000	-	0.0%
Interdepartmental Charges-Public Safety								
820	.90 Interdepartmental-Public Safety Complia	(20,595)	-	-	-	-	-	0.0%
	Interdepartmental Charges-Public Safet	(20,595)	-	-	-	-	-	0.0%
Interdepartmental Charges								
800	.00 Interdepartmental-Administrative	46,507	51,500	51,630	51,690	52,970	1,470	2.9%
801	.01 Interdepartmental-Human Resources	23,419	22,760	22,760	17,570	24,070	1,310	5.8%
802	.00 Interdepartmental-Finance	122,325	124,100	123,970	115,140	124,620	520	0.4%
803	.01 Interdepartmental-Information Tech	56,109	53,850	53,850	53,230	56,900	3,050	5.7%
804	.01 Interdepartmental-Engineering	95,487	112,000	112,000	79,000	112,000	-	0.0%
825	.01 Interdepartmental-Insurance	46,976	55,450	55,550	55,550	62,970	7,520	13.6%
850	.04 Interdepartmental-Bldg Rent	23,543	32,856	32,856	31,926	32,985	129	0.4%
	Interdepartmental Charges	414,366	452,516	452,616	404,106	466,515	13,999	3.1%
Debt Service								
931	.01 Debt Service-Principal	246,055	501,394	501,394	501,394	503,801	2,407	0.5%
932	.01 Debt Service-Interest	57,301	106,352	106,352	106,352	103,945	(2,407)	-2.3%
	Debt Service	303,356	607,746	607,746	607,746	607,746	-	0.0%
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	3,214,565	3,854,803	3,854,803	3,590,399	3,964,156	109,353	2.8%

NARRATIVE

500.01 Regular Salaries and Wages: \$1,069,187 - This account provides expenditures for the cost of the annual wages of the employees of the Water Division. A request is submitted in this draft budget for the addition of one apprentice/ trainee in 2022.

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

505.00 Payroll Taxes: \$87,850- This account provides expenditures for employer contributions for Social Security, Medicare, and other similar payroll related taxes.

506.00 Pension: \$215,060 - This account provides expenditures for employer contributions to retirement plans.

507.00 Health and Life Insurance: \$357,440 - This account provides expenditures for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation: \$26,740 - This account provides expenditures for employer contributions to workers compensation.

508.00 Other Benefits: \$29,090 - 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.

KETCHIKAN PUBLIC UTILITIES

2022 Operating and Capital Budget

Water Division

Operations 5400

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

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

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

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

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

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

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

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

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

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: \$95,000 - 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: \$200 - This account provides expenditures for the cost of mailing division correspondence.

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.

KETCHIKAN PUBLIC UTILITIES

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Water Division

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525.04 Vehicle Motor Fuel and Lubricants: \$15,000 - This account provides expenditures for the purchase of fuel and lubricants used for the operations of the division's vehicles.

525.07 Machinery & Equipment Fuel and Lubricants: \$400 - This account provides expenditures for the purchase of fuel and lubricants used for the operation of the division's standby generators located at the Chlorination Plant and the UV Disinfection Facility.

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

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

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

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

600.03 Training and Education: \$4,000 – 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: \$16,125 - This account provides expenditures for the Water Division's share of the City's Community Grant Program.

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

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

630.01 Building and Operating Permits: \$1,000 - This account provides expenditures for permits required for ADEC regulatory functions including plan review, certificates to operate new construction, annual fees for Ketchikan and Carllanna 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.

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

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

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

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

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

645.02 Rents and Leases - Machinery & Equipment: \$13,000 - This account provides expenditures for the rent and lease of machinery and equipment. It is not likely the Schoenbar Water Transmission Main replacement segment will be completed in 2022 and further remedial repairs to the existing main are anticipated. This account provides funds to rent rather than purchase seldom-used equipment needed in water main reconstruction or repair projects.

650.01 Telecommunications: \$36,000 - This account provides expenditures for telecommunication services. In addition to telecommunications used by the division's staff, telephone lines are used to provide direct instrument communication links between the division's pump stations and their associated reservoirs including operational alarms that report through the SCADA system located at the Bailey Power House. Additionally, operational fiber optic links are now providing direct communication and control between the UV Disinfection Facility, the Two-Point Chlorination Facility, the Ammonia Addition Facility and the Chlorination Plant. The equipment and instrumentation installed within each facility is also being continuously monitored through KPU's SCADA system.

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

790.26 Computers, Printers, and Copiers: \$3,000 - This account provides expenditures for the replacement of two computers purchased in 2016 and are identified by the Information Technology Department as due for replacement in 2022.

800.00 Interdepartmental Charges – Administrative: \$52,970 - 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: \$24,070 - This account provides expenditures for human resource services provided by the Human Resources Division.

802.00 Interdepartmental Charges - Finance: \$124,620 - This account provides expenditures for financial, accounting, payroll, accounts payable, billing, customer service and budgeting services provided by the Finance Department.

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803.01 Interdepartmental Charges – Information Technology: \$56,900 - This account provides expenditures for information technology services provided by the Information Technology Department.

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

825.01 Interdepartmental Charges – Insurance: \$62,970 - This account provides expenditures for risk management services and claims.

850.04 Interdepartmental Charges - Building Rent: \$32,985 - This account provides expenditures for the cost of office space at the KPU Administration Building.

931.01 Debt Service-Principal: \$503,801 - This account provides expenditures for principal on revenue bonds and ADEC drinking water loans.

932.01 Debt Service-Interest: \$103,945 - 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
2022 Operating and Capital Budget
Water Division

Capital Budget

Major Capital Outlay	2020 Actual	2021 Budget			2022 Budget	2021 Adopted/2022	
		Adopted	Amended	Estimate		Incr(Decr)	%
720.00 Vehicles and Moving Equipment	-	-	-	-	98,000	98,000	0.0%
730.00 Infrastructure	1,059,104	8,745,377	8,775,377	7,754,166	1,048,132	(7,697,245)	-88.0%
Total Major Capital Outlay	1,059,104	8,745,377	8,775,377	7,754,166	1,146,132	(7,599,245)	-86.9%

Capital Improvement Projects		Funding Sources			
Project #	Project	KPU Enterprise Fund	Grants	Bonds	Total
720.00 Vehicles and Moving Equipment					
	Utility Vehicle	98,000	-	-	98,000
	Total Vehicles and Moving Equipment	98,000	-	-	98,000
730.00 Infrastructure					
	Water Filtration Facility Project	199,869	-	-	199,869
	Water Meters - Business & Commercial Customers	-	-	650,613	650,613
	Pump Station Switchgear Improvements	22,650	-	-	22,650
	West Fairy Chasm Main Replacement	15,000	-	-	15,000
	Skyline Water Main Replacement	10,000	-	-	10,000
	Valve Boxes - Repair of Surrounding Pavement	50,000	-	-	50,000
	Water Distribution Grid Improvements	30,000	-	-	30,000
	Additional Projects	40,000	-	-	40,000
	Water Service Upgrade Program	15,000	-	-	15,000
	Backflow Prevention Program	15,000	-	-	15,000
	Total Infrastructure	397,519	-	650,613	#####
	Total Capital Budget	495,519	-	650,613	#####

