

**KETCHIKAN PUBLIC UTILITIES
2023 ANNUAL BUDGET**

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CITY OF KETCHIKAN, ALASKA

RESOLUTION NO. 22-2868

A RESOLUTION OF THE COUNCIL OF THE CITY OF KETCHIKAN, ALASKA APPROPRIATING FROM THE KETCHIKAN PUBLIC UTILITIES ENTERPRISE FUND FOR THE FISCAL YEAR 2023; 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 2023, entitled KETCHIKAN PUBLIC UTILITIES 2022 OPERATING AND CAPITAL BUDGET, is hereby adopted.

Section 2: The sum of \$69,847,043 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, 2023:

Item of Appropriation	Total
General Manager	\$ 417,461
Sales, Marketing & Customer Service	3,388,545
Electric	27,643,690
Telephone	21,912,849
Water	6,400,881
Transfer to KPU Facilities and Infrastructure Replacement Fund	250,000
Appropriated Reserves	9,833,617
Total Appropriations	\$ 69,847,043

Section 3: The sum of \$1,750,000 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, 2023:

Item of Appropriation	Total
Appropriated Reserves	1,750,000
Total Appropriations	\$ 1,750,000

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

PASSED AND APPROVED by a duly constituted quorum of the City Council for the City of Ketchikan on this 15th day of December, 2022.

Dave Kiffer, Mayor

ATTEST:

Kim Stanker, City Clerk



November 5, 2022

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 2023 Operating and Capital Budget (the “2023 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, 2022. At least one public hearing on the proposed budget is required prior to adoption of the final spending plan.

INTRODUCTION

The 2023 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 2023 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>
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
2021	7,867	169,432	4,332	3,220

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

Over the same period, the number of telecommunication access lines declined on average by about 3.26% 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. These additional services ensured Ketchikan is one of the minority communities in Alaska with broadband coverage but has been funded with debt thus increasing debt service costs.

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 2023. 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. To that end, management will be coordinating rate-setting educational work sessions with the end-goal of adopting fiscally responsible rate-setting policies. 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.

2012 - 2021				
Audited				
Year	Total	Electric	Telecom	Water
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)
2021	2,601,644	312,192	2,335,500	(46,048)

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

- The water utility reduced its costs and deferred maintenance to mitigate losses due to the COVID-19 pandemic but continues to experience operating losses. 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. In 2022, water rates were increased 4% as part of a two year plan to prepare for additional debt service that will start upon completion of the Schoenbar Raw Water Main replacement. In 2023 the second 4% rate increase has been factored into the 2023 budget. If the water utility losses continue another rate increase will be necessary to fund the water operations and debt service.

- 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 and 2021 was due a number of staff vacancies and the deferral of capital improvements due to the COVID-19 pandemic. The electric utility is not able to fund all of its operating costs or meet infrastructure maintenance needs with the current rate structure in place.
- 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. In 2021, the telecommunications utility revised its depreciation rates with the support of our telecom consultants. The change in depreciation and reduced operating costs for non-regulated activities accounts for most of the swing from a net loss in 2020 to net income position in 2021. 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 to keep rates low. While this strategy may have worked in prior years, it is becoming more difficult to sustain and is detrimental to the telecommunications utility.
- 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 2023. 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 \$1.04 million from reserves to cover its operating costs and \$5.88 million for its capital costs in 2023. The electric utility is unable to pay for any of its capital costs from operating revenues and must rely on grants, bonds or reserves. The cost of debt financing is increasing at the moment because the interest rates are increasing. 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 new debt can be issued.

Management continues to recommend that the City Council work towards making each utility financially independent. 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 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. ADEC has completed review of this request and will submit findings to the EPA. 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 \$1,872,000 reserve account at an interest rate of 6.89% is about \$1,872,000 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.

SIGNIFICANT BUDGET ASSUMPTIONS

In order to present a complete spending plan for 2023, 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 2023 are as follows:

- Staffing levels will remain the same as 2022 except for the addition of one IPTV camera technician for sales, marketing and customer service and a net increase of two positions for the telecom utility. Compensation is expected to increase because of COLA's (1.5%) for KPU IBEW union personnel and (2.5%) non-represented personnel, step increases required by the compensation plan and collective bargaining agreements have been programmed for all eligible employees.
- 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 in accordance with a tiered formula for its non-represented employee and represented employees. Per year three of the current collective bargaining agreement the pension costs will be increasing to 18% with a maximum of \$11.00 per hour. Increases in retirement costs will be percentage based increases due to COLA's and the percentage increase from 16.5% in 2022 to 18% in 2023 as well as increases salaries and wages caused by step increases salaries and wages and assumes that the State of Alaska will not raise the current PERS employer contribution rate of 22 percent.
- The Southeast Alaska Power Agency notified the City that it had plans to increase the wholesale power rate of 7.05 cents per kWh to 7.30 cents per kWh. SEAPA has yet to inform the City when this will take effect but has stated it will be forthcoming. In anticipation of these increases, KPU raised its rates 1.5% to be able to fund the wholesale power rate of 7.30 cents per kWh, effective June 1, 2023.
- There will not be a purchased power rebate from the Southeast Alaska Power Agency in 2022. A Whitman Lake true-up payment has been projected for 2023. 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. This is the second increase of a two year increase resulting in a four percent rate increase for the water utility in 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

22%, 5% and 8%, respectively. KPU's liability, auto and property insurance policies expire on July 1, 2023 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.

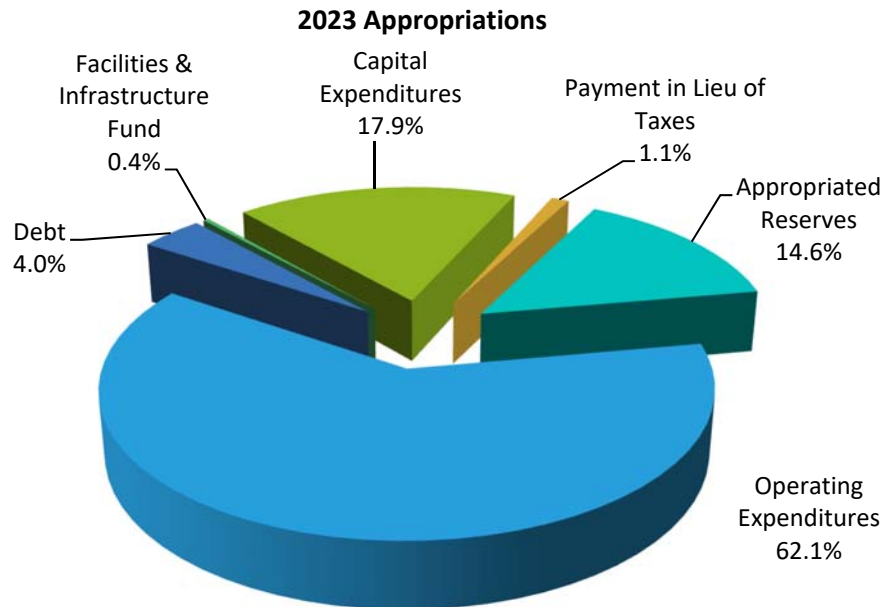
- Workers compensation insurance policies also expire on July 1, 2023 and overlap the KPU's calendar fiscal year. Premiums for workers compensation insurance have been projected to increase by an overall 5% on July 1, 2023. Premiums for workers compensation are based on staffing demographics and the 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 \$103,196 in 2023 mostly due to making the final payment on the electric utility's series W bonds in 2022.
- Divisions were directed to try to keep appropriations low but to also evaluate the increase in the cost of fuel, freight and materials and services to ensure their operating budget reflects these increases when necessary. Divisions were also directed to bring back a capital budget that reflects the needs of each utility. Capital projects were deferred the last two years due to the COVID-19 pandemic.

The Proposed 2023 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 2023 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 2023 ANNUAL OPERATING AND CAPITAL BUDGET

The 2023 Budget includes all operating and support divisions of KPU. The total amount requested for appropriations is \$69.97 million, an increase of \$5.4 million from the amount appropriated with the adoption of the 2022 Budget. The key components of total appropriations for 2023 and a comparison with 2022 appropriations are as follows:

	2022 Budget	2022 Estimate	2023 Budget
Operating Expenditures	\$ 39,014,877	\$ 37,750,795	\$ 43,424,645
Debt Service	2,904,172	2,904,172	2,800,976
Payment in Lieu of Taxes	845,600	786,000	786,000
Total Cost of Operations	42,764,649	41,440,967	47,011,621
Facilities & Infrastructure Fund	250,000	250,000	250,000
Capital Expenditures	6,879,148	2,604,308	12,509,670
Total Expenditures	49,893,797	44,295,275	59,771,291
Appropriated Reserves	12,685,343	23,438,334	10,194,263
Total Appropriation	<u>\$ 62,579,140</u>	<u>\$ 67,733,609</u>	<u>\$ 69,965,554</u>
Number of Employees	<u>118.50</u>	<u>118.50</u>	<u>121.50</u>



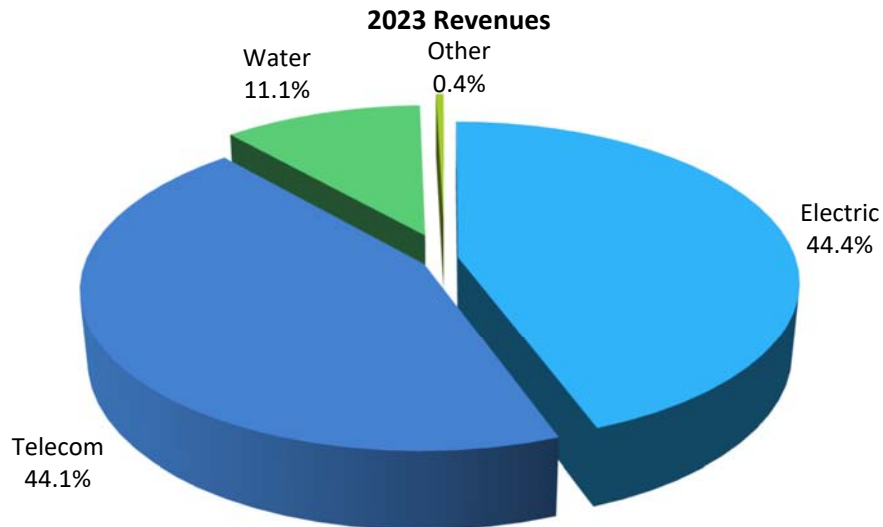
The balance of this overview will include a discussion and analysis of the following areas: (1) revenues; (2) expenditures; (3) personnel; (4) debt management; and (5) compliance with City Council mandated financial objectives.

For additional summary information regarding the proposed spending plan for 2023, please refer to the “C” pages in the budget document.

REVENUES

Operating revenues for utility services in the amount of \$45.68 million have been programmed for 2023. The table below identifies the major revenue sources by operating utility.

	2021 Actual	2022 Budget	2022 Estimate	2023 Budget
Electric	\$ 19,827,050	\$ 19,057,100	\$ 20,525,324	\$ 20,257,300
Telecommunications	19,833,866	19,549,800	20,196,261	20,149,000
Water	4,432,868	4,759,500	4,806,676	5,071,400
Other	113,052	114,000	233,000	198,000
Total	<u>\$ 44,206,836</u>	<u>\$ 43,480,400</u>	<u>\$ 45,761,261</u>	<u>\$ 45,675,700</u>



Electric Revenues: The projection for 2023 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 2021, the electric utility sold 169,432 MWh of energy. The estimate for 2022 is 174,266 MWh and the projection for 2023 is 171,477 MWh. The revenue forecast for 2023 is based on a two-year average of consumption. The table below summarizes the major operating revenues of the Electric Division.

	2021 Actual	2022 Budget	2022 Estimate	2023 Budget
Residential	\$ 84,749,877	\$ 8,237,200	\$ 8,747,800	\$ 8,704,000
Harbor	350,409	336,500	372,300	365,700
Business	7,597,744	7,458,400	7,913,000	7,875,400
Industrial	2,036,845	1,864,200	2,063,000	2,029,300
Yard Lights	62,224	62,200	64,500	64,900
Demand	529,297	528,100	551,900	547,000
Street Lights	131,911	131,700	132,500	132,200
Energy Sales	95,458,307	18,618,300	19,845,000	19,718,500
Diesel Surcharge	-	-	-	-
Other	638,743	438,800	680,324	538,800
Total	<u>\$ 96,097,050</u>	<u>\$ 19,057,100</u>	<u>\$ 20,525,324</u>	<u>\$ 20,257,300</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.

	2021 Actual	2022 Budget	2022 Estimate	2023 Budget
Local Network Services	\$ 1,878,519	\$ 1,834,300	\$ 1,846,903	\$ 1,810,000
Access Services	8,448,692	8,243,800	8,483,444	8,410,000
Wireless - DSL and IPTV	6,202,077	6,154,500	6,632,154	6,621,000
Other	3,077,078	3,081,900	2,902,258	2,890,000
Revenue	9,728	-	72,910	150,000
Expenses	217,772	235,300	258,592	268,000
	<u>\$ 19,833,866</u>	<u>\$ 19,549,800</u>	<u>\$ 20,196,261</u>	<u>\$ 20,149,000</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 due to the fixed revenue stream in 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. 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 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 2023.

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 2021 will ensure that these revenues will remain stable through 2024, the period covered by the agreement.

Water Revenues: The operating revenues of the Water Division for 2023 have been projected to increase by \$184,000 from the amount budgeted for 2022. The increase in revenues is a result of an increase in raw fish tax expected in 2023 and a four percent rate increase that been programmed to become effective on April 1, 2023. The table that follows summarizes the major operating revenues of the Water Division.

	2021 Actual	2022 Budget	2022 Estimate	2023 Budget
Residential	\$ 1,950,255	\$ 2,031,500	\$ 2,033,500	\$ 2,114,800
Apartment	408,465	426,500	427,200	444,300
Business	1,519,350	1,562,100	1,629,100	1,694,200
Industrial	105,526	109,800	110,000	114,400
Seafood Processors	355,817	369,600	370,900	385,700
Port	6,615	167,500	91,500	167,500
Raw Fish Tax	36,793	34,500	91,376	91,100
Miscellaneous	50,047	58,000	53,100	59,400
Total	<u>\$ 4,432,868</u>	<u>\$ 4,759,500</u>	<u>\$ 4,806,676</u>	<u>\$ 5,071,400</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 2023, the City is projecting an annual payment of \$397,287 and, under the currently formula, the water utility will receive \$91,376. 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 \$47.0 million have been programmed for 2023, an increase of \$3.98 million from the amount appropriated with the adoption of the 2022 Budget. The table below identifies the major operating expenses by division.

	2022 Budget	2022 Estimate	2023 Budget	Net Change Increase (Decrease)
General Manager	\$ 335,010	\$ 312,770	\$ 417,461	\$82,451
Sales, Marketing & Customer Service	3,147,742	2,993,746	3,346,410	198,668
Electric	19,856,464	18,517,000	21,740,540	1,884,076
Telecommunications	15,731,277	15,815,718	17,354,349	1,623,072
Water	3,964,156	3,801,733	4,152,861	188,705
Total	<u>\$ 43,034,649</u>	<u>\$ 41,440,967</u>	<u>\$ 47,011,621</u>	<u>\$3,976,972</u>

The net increase of almost \$4.0 million in 2023 operating budget for KPU is due to an overall increase in the cost of personnel services and benefits needed to operate a utility, the gradual resumption of travel and training budgets that were reduced 75% in 2021, an increase in fuel

prices, as well as increases in contract and professional services, freight, materials, purchased power and interdepartmental services.

The electric utility is projecting that in 2023, its operating expenditures will increase by almost \$1.9 million from 2022. The increase in personnel services and benefits, purchase power and contract services is the primary reason for the increase.

The telecommunications utility is projecting that in 2023, its operating expenditures will increase by almost \$1.6 million from 2022. The increase in personnel services and benefits and the net addition of 2 FTE's is the primary reason for the increase.

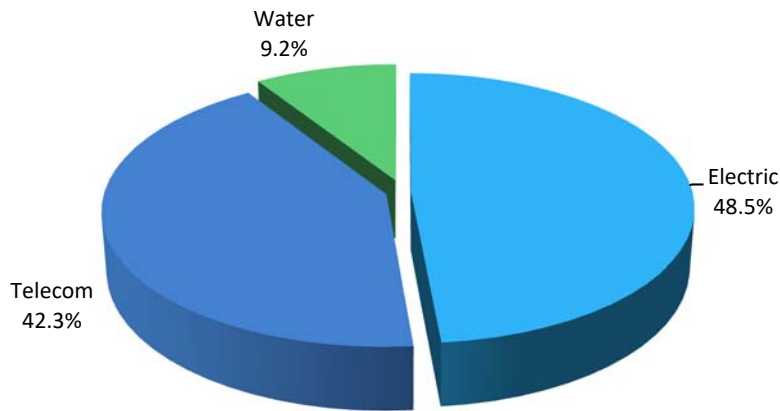
The water utility is projecting an increase of about \$188,705 in operating expenditures primarily due the COLA's increasing personnel services and benefits cost.

The sales, marketing and customer service division's operating expenditures are programmed to increase by \$265,668 from the amount appropriated in 2022. The addition of 1 FTE for an IPTV camera technician, COLA's and step increases per collective bargaining agreements is the primary cause for the increase to personnel services. A vehicle replacement has also been added to the 2023 budget due to safety concerns related to the age of one vehicle assigned to the division and the increased maintenance costs for the aging vehicle.

The general manager's office is projecting an increase due to the hiring of a new manager late 2022. In 2022, the division's budget was reduced due to the retirement of long time General Manager Karl Amylon resulting in an increase in 2023 to bring the department back up to a normal operating level.

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.

2023 Operating Expenses by Utility



CAPITAL EXPENDITURES

The amount of capital appropriations requested for 2023 is \$12.51 million. The table below identifies the major capital expenses by utility.

	2022 Budget	2022 Estimate	2023 Budget
Sales, Marketing & Customer Service	\$ -	\$ -	\$ 67,000
Electric	4,301,150	1,235,000	5,878,150
Telecommunications	1,431,866	1,153,379	4,688,500
Water	1,146,132	215,929	1,876,020
Total	<u>\$ 6,879,148</u>	<u>\$ 2,604,308</u>	<u>\$ 12,509,670</u>

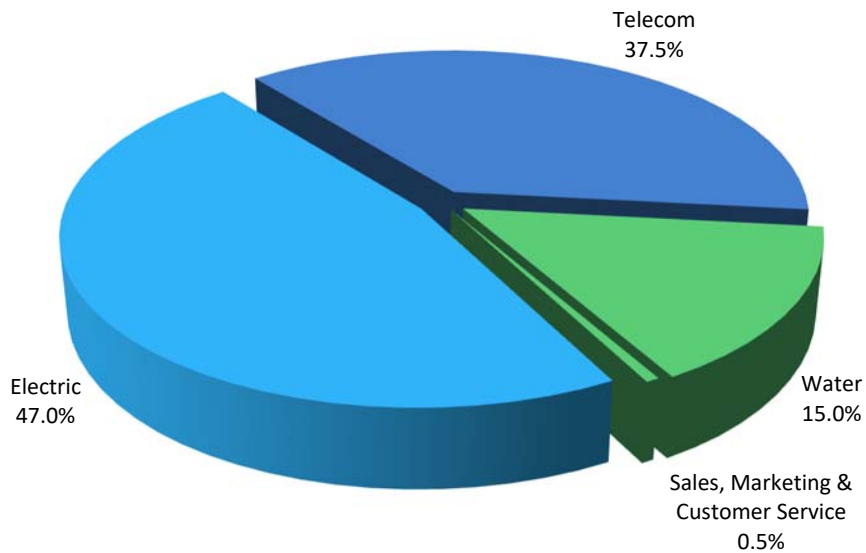
Overall the utility's assets totaling \$267 million are depreciated 62%. The utility should be spending an amount equal to depreciation in repair and replacements and/or depositing a like amount into a capital replacement account to fund replacements when needed.

The electric utility has some infrastructure that can be replaced annually but its hydro facilities and generators would require a reserve in excess of \$20 million to replace. A large share of the telecommunications utility assets can be replaced via an annual repair replacements but it is important to keep the telecom assets up to date due to the type of industry to ensure a reliable system. Most of the water utility assets are buried or are large infrastructure items such as dams and reservoirs. In the 80's and 90's the utility was able to take advantage of matching grants from the State of Alaska to help fund infrastructure replacements. These grants dried up in the

early 2000's so the water utility is utilizing low interest loans to fund much needed replacements. Below is a list of the utility assets and their depreciated status:

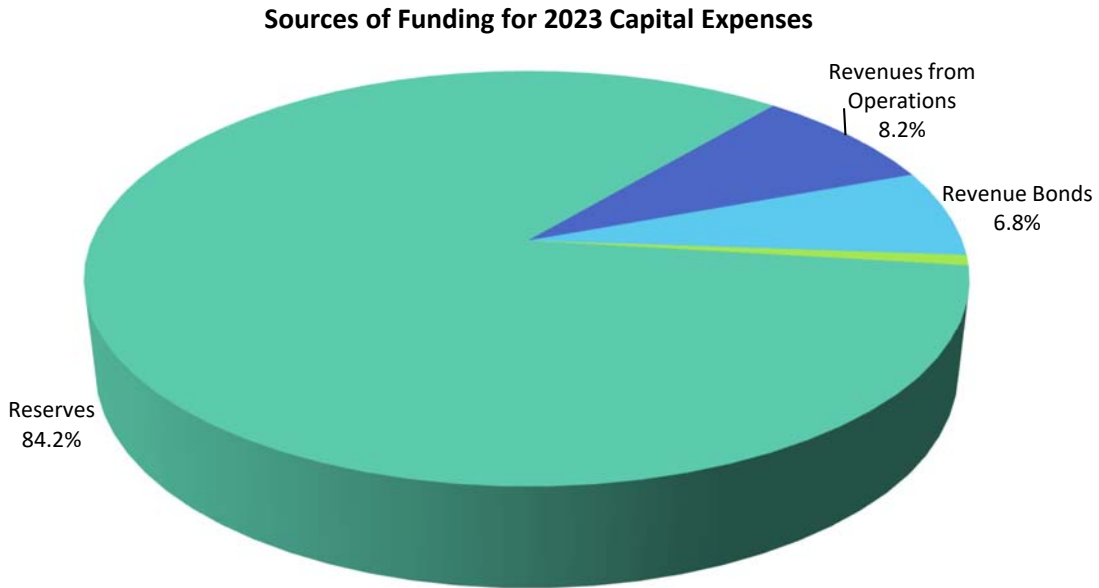
- Electric assets –
 - Distribution assets are depreciated 76%
 - Bailey assets are depreciated 84%
 - Beaver Falls assets are depreciated 67%
 - Silvis assets are depreciated 76%
 - Ketchikan Lakes assets are depreciated 66%
 - Whitman assets (placed in service in 2014) are depreciated 15%
 - General assets are depreciated 88%
- Telecom assets –
 - Regulated (general support, central office, cable & wire facilities) assets are depreciated 82%
 - Non-regulated (transport, internet and DSL/TV) assets are depreciated 47%
- Water assets –
 - Reservoirs and dam assets are depreciated 62%
 - Iron water main assets are depreciated 50%

2023 Capital Expenses by Utility



Funding for the proposed capital budget is as follows:

	Amount	Percentage
Revenues from Operations	\$ 1,028,115	8%
Bonds	851,520	7%
Other	99,000	1%
Reserves	10,531,035	84%
	<u>\$ 12,509,670</u>	<u>100%</u>



Please see the proposed KPU 2023 - 2027 Capital Improvement Program for information about the projects planned for 2023.

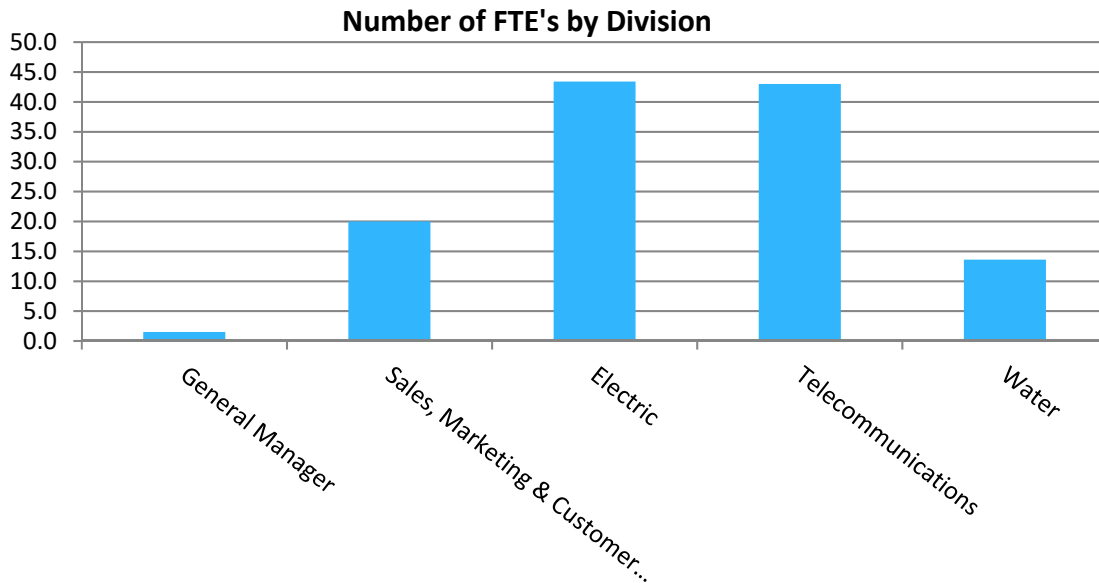
PERSONNEL

The proposed 2023 KPU Budget includes funding for 121.5 full-time equivalent employees (FTE). Staffing has been increased by 3 FTE due to the addition of one IPTV camera technician in sales marketing and customer service and a net increase of 2 FTE's in telecom. The IPTV camera technician position is a unique position that requires knowledge of the equipment. In the past the division utilized temporary staff to provide additional help to the full time IPTV camera technician but the labor market doesn't provide a large enough pool of temporary workers that know how to use the equipment so adding a position and reducing the temporary wages has been factored into the 2023 budget. The telecom utility is adding three positions and eliminating one positions as follows, one senior data center engineer, one outside plant foreman, one combination technician and eliminating the plant manager position. The data center operational

needs have expanded since its inception and proven to be successful for the division, increasing data center revenues 81% since 2019. The vacancy of the plant manager position has created the need to restructure the current positions to provide an additional foreman in place of a plant manager and add an additional combination technician. The additional combination technician will help with providing fiber services to multi-dwelling units. Providing fiber to multi-dwelling units will also increase revenues by expanding services to the customers in these types of buildings. Adding an additional combination technician should reduce the overtime for the division which will help offset some of the cost.

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.

	2022 Budget	2022 Estimate	2023 Budget
Salaries and Wages - Regular Employees	\$ 10,164,230	\$ 9,777,890	\$ 11,982,620
Salaries and Wages - Temporary Employees	115,000	91,030	102,000
Overtime	661,600	986,940	906,600
Payroll Taxes	836,984	830,650	993,860
Pension	1,830,296	1,969,300	1,948,700
Health and Life Insurance	3,000,778	2,632,710	3,239,880
Workers Compensation	195,782	189,880	217,800
Other Benefits	274,076	274,070	447,060
Allowances	148,370	83,987	142,150
Total	<u>\$ 17,227,116</u>	<u>\$ 16,836,457</u>	<u>\$ 19,980,670</u>
 Number of Employees (FTE)	 <u>118.50</u>	 <u>118.50</u>	 <u>121.50</u>



The total cost of personnel for 2023 is projected to increase by \$2.75 million to \$19.98 million from the amount appropriated in 2022. Regular salaries and wages are projected to increase by \$1.82 to \$11.98 million as a result of the addition of 3 FTE's, step increases for employees on the grade and step pay scale, a 1.5% COLA of KPU IBEW employees and 2.5% COLA for non-represented employees. The total increase in the salaries and wages costs has been reduced by staff turnover.

Health insurance costs for 2023 are projected to increase by \$239,102 from what was budgeted in 2022. Health insurance premiums have been projected to rise by 10% in 2023. 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 3 FTE's and a redistribution of the employer share of the non-represented employee benefits accounts for the remaining share of the increase.

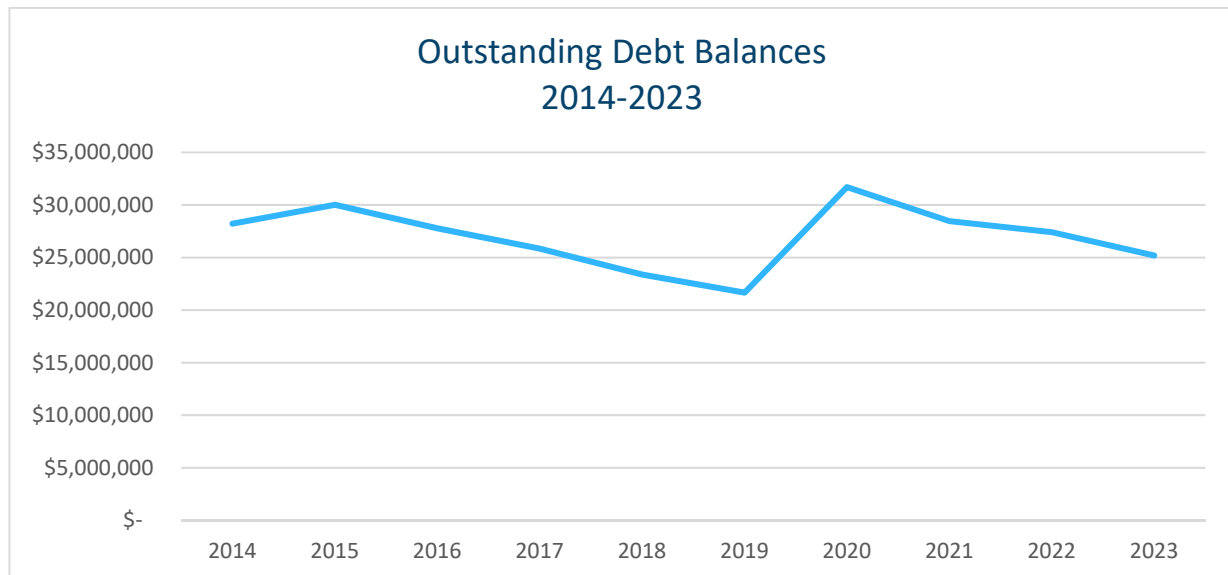
Other benefits such as payroll taxes and pension costs that are based on a percentage of compensation have been programmed to increase because of step increases and added personnel. A 1.5% cost of living adjustment for the KPU IBEW bargaining unit and 2.5% cost of living adjustment for the non-represented employees have been programmed and will increase taxes and pension costs accordingly.

DEBT

In 2023, KPU will have ten outstanding revenue bond issues and one interfund loan totaling \$25.20 million. The table below summarizes KPU's bond issues that will be outstanding on January 1, 2023 and the debt service requirements for 2023.

Issue	Balance		Type	Debt Service		
	Outstanding	Final		2022	2022	2023
	January 1, 2023	Maturity		Budget	Estimate	Budget
ADEC 481021	992,616	2032	Revenue	\$ 107,118	\$ 107,118	\$ 107,118
ADEC 481051	3,509,122	2032	Revenue	333,357	333,357	333,357
ADEC 481061	742,585	2032	Revenue	70,544	70,544	70,544
ADEC 481091	65,579	2033	Revenue	6,230	6,230	6,230
ADEC 481121	154,373	2033	Revenue	14,666	14,666	14,666
ADEC 481141	476,233	2035	Revenue	39,100	39,100	39,100
ADEC 481041	520,753	2037	Revenue	36,731	36,731	36,731
Series W - CREB	-	2022	Revenue	80,600	80,600	-
Series X - Whitman	9,470,000	2032	Revenue	1,044,317	1,044,317	1,043,725
Series Y - Telecom	8,875,000	2038	Revenue	745,300	745,300	743,800
Interfund Loan	390,101	2023	Interfund	426,209	426,209	405,705
Total	\$ 25,196,362			\$ 2,904,172	\$ 2,904,172	\$ 2,800,976

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

Total annual debt service in the amount of \$2,800,976 has been programmed in the 2023 Budget. On January 1, 2023, the total debt service required to maturity, including interest of \$5,443,417, will be \$30,639,779. 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 2023 is in compliance. The required fund balance is \$11.05 million and the projected fund balance is \$11.94 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 2023 is 0.80 and is not in compliance with the requirements of Resolution No. 90-1645. If the rates are not increased the City is in danger of not meeting its bond covenants which would require a rate review and mandatory increases. The Council will need to increase rates in order to sustain the current level of services the utility provides to the community. Please see page C-5 for more information regarding the requirements of Resolution No. 90-1645.

CONCLUSION

The 2023 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 2023. Over the next few weeks, staff looks forward to the development of a spending plan that permits KPU to continue to provide quality and reliable utility services to the citizens of Ketchikan. 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 2023 Budget.

We would 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 2023 Operating and Capital Budget. Special thanks go to Financial Analyst Camille Nelson, Executive Assistant Myrna Johannsen, 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 Staff Accountant Anita Beaudoin. 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,



Delilah A. Walsh
KPU General Manager



Lacey G. Simpson
Assistant KPU General Manager



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 2023.)

KETCHIKAN PUBLIC UTILITIES
2023 Operating and Capital Budget
Revenues and Appropriation Summary

	2022			2023
	Adopted	Amended	Estimate	Budget
KPU Enterprise Fund				
Funds Available, January 1	18,190,527	18,190,527	21,970,753	23,319,823
Revenues:				
Electric	19,057,100	19,057,100	20,525,324	20,257,300
Telecommunications	19,807,400	19,807,400	20,196,261	20,149,000
Water	5,410,113	5,410,113	4,808,271	5,922,920
Other	114,000	114,000	233,000	198,000
Total Revenues	44,388,613	44,388,613	45,762,856	46,527,220
Appropriations:				
Administration	335,010	342,640	312,770	417,461
Sales, Marketing & Customer Service	3,147,742	3,147,742	2,993,746	3,388,545
Electric	23,887,614	23,876,351	19,727,000	27,643,690
Telecommunications	17,163,143	18,320,279	17,122,608	21,912,849
Water	5,110,288	5,089,680	4,007,662	6,400,881
Transfer to Facilities & Infrastructure Replacement Fund	250,000	250,000	250,000	250,000
Total Appropriations	49,893,797	51,026,692	44,413,786	60,013,426
Funds Available, December 31	12,685,343	11,552,448	23,319,823	9,833,617

	2022			2023
	Adopted	Amended	Estimate	Budget
KPU Facilities & Infrastructure Replacement Fund				
Funds Available, January 1	1,250,000	1,250,000	1,250,000	1,500,000
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	1,500,000	1,500,000	1,500,000	1,750,000

KETCHIKAN PUBLIC UTILITIES
2023 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	352,796	2,333,540	8,247,165	7,053,289	1,993,880	19,980,670
Supplies	3,040	109,050	8,453,500	950,000	308,617	9,824,207
Contract/Purchased Services	32,975	794,020	1,960,200	6,666,475	508,400	9,962,070
Minor Capital Outlay	23,300	43,700	41,450	21,000	13,000	142,450
Interdepartmental Charges	5,350	42,600	1,612,500	1,307,680	523,618	3,491,748
Operating Costs Before PILOT and Debt Service	417,461	3,322,910	20,314,815	15,998,444	3,347,515	43,401,145
Payment in Lieu of Taxes			382,000	206,400	197,600	786,000
Operating Costs Before Debt Service	417,461	3,322,910	20,696,815	16,204,844	3,545,115	44,187,145
Debt Service			1,043,725	1,149,505	607,746	2,800,976
Operating Costs Before Allocation of Overhead	417,461	3,322,910	21,740,540	17,354,349	4,152,861	46,988,121
Allocation of Overhead to Operating Utilities:						
General Manager	(417,461)		208,730	187,858	20,873	-
Sales, Marketing & Customer Service		(3,322,910)	863,956	2,326,037	132,917	-
Total Operating Costs	-	-	22,813,226	19,868,244	4,306,651	46,988,121
Major Capital Outlay		65,635	5,903,150	4,558,500	2,248,020	12,775,305
Total Expenditures	-	65,635	28,716,376	24,426,744	6,554,671	59,763,426
Transfer to KPU Facilities and Infrastructure Fund						250,000
Total Appropriations						60,013,426

KETCHIKAN PUBLIC UTILITIES
2023 Operating and Capital Budget
Number of Employees Comparative Schedule

Division	2020	2021	2022			2023	2023 Adopted/2022	
	Actual	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
5100 GENERAL MANAGER	1.50	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	20.00	1.00	5.3%
5200 ELECTRIC								
Administrative	6.00	6.00	6.00	6.00	6.00	6.00	-	0.0%
Generation Control	7.00	7.00	9.00	9.00	9.00	9.00	-	0.0%
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%
TOTAL ELECTRIC	41.40	41.40	43.40	43.40	43.40	43.40	-	0.0%
5300 TELECOMMUNICATIONS								
Administrative	6.00	6.00	6.00	6.00	6.00	6.00	-	0.0%
Engineering Operations	4.00	4.00	4.00	4.00	4.00	5.00	1.00	25.0%
Plant Specific Operations	25.00	25.00	25.00	25.00	25.00	27.00	2.00	8.0%
Plant Non-Specific Operations	6.00	6.00	6.00	6.00	6.00	5.00	(1.00)	-16.7%
TOTAL TELECOMMUNICATIONS	41.00	41.00	41.00	41.00	41.00	43.00	2.00	4.9%
5400 WATER	11.60	12.60	13.60	13.60	13.60	13.60	-	0.0%
TOTAL KPU EMPLOYEES	114.50	115.50	118.50	118.50	118.50	121.50	3.00	2.5%

KETCHIKAN PUBLIC UTILITIES
2023 Operating and Capital Budget
Summary of Funding by Operating Utility

	Total	Operating Revenues	Grants	Bonds/ Loans	Other	Reserves
Sales, Marketing and Customer Service:						
Major Capital Outlay	65,635	-	-	-	-	65,635
Total	65,635	-	-	-	-	65,635
Electric:						
Operating Costs	21,387,501	20,257,300	-	-	99,000	1,031,201
Debt Service	1,043,725	-	-	-	-	1,043,725
Payment in Lieu of Taxes	382,000	-	-	-	-	382,000
Major Capital Outlay	5,903,150	-	-	-	-	5,903,150
Total	28,716,376	20,257,300	-	-	99,000	8,360,076
Telecommunications:						
Operating Costs	18,512,339	18,512,339	-	-	-	-
Debt Service	1,149,505	1,149,505	-	-	-	-
Payment in Lieu of Taxes	206,400	206,400	-	-	-	-
Major Capital Outlay	4,558,500	280,756	-	-	99,000	4,178,744
Total	24,426,744	20,149,000	-	-	99,000	4,178,744
Water:						
Operating Costs	3,501,305	3,501,305	-	-	-	-
Debt Service	607,746	607,746	-	-	-	-
Payment in Lieu of Taxes	197,600	197,600	-	-	-	-
Major Capital Outlay	2,248,020	764,749	-	851,520	-	631,751
Total	6,554,671	5,071,400	-	851,520	-	631,751
Facilities & Infrastructure Replacement	250,000	-	-	-	-	250,000
Total	60,013,426	45,477,700	-	851,520	198,000	13,486,206

KETCHIKAN PUBLIC UTILITIES**2023 Operating and Capital Budget****Compliance With Fund Balance Policy, Resolution No. 90-1645 and KPU Bond Covenants**

Description	Amount
Operating Revenues:	
Electric	20,257,300
Telecommunications	20,149,000
Water	5,071,400
Other	198,000
Total Operating Revenues	45,675,700
Operating Costs:	
Personnel Services and Benefits	19,980,670
Supplies	9,824,207
Contract/Purchased Services	9,962,070
Minor Capital Outlay	142,450
Interdepartmental Charges	3,491,748
Payment in Lieu of Taxes	786,000
Total Operating Costs	44,187,145
Net Revenue	1,488,555
Add Back Payment in Lieu of Taxes	786,000
Net Revenue Available for Debt Service	2,274,555
A. Compliance with Fund Balance Policy:	
Total Operating Costs	44,187,145
Reserve Requirement at 25 Percent of Total Operating Costs	11,046,786
Estimated Reserves, December 31, 2023	11,583,617
Over (Under) Reserve Requirement	536,831
B. Compliance with the Debt Service Coverage Requirements of Resolution No. 90-1645:	
Net Revenue Available for Debt Service	2,274,555
Debt Service	2,800,976
Debt Service Coverage (Required Debt Service Coverage: 1.50 - 2.0)	0.81
C. Compliance with the Debt Service Coverage Requirements of KPU's Bond Covenants:	
Net Revenue Available for Debt Service	2,274,555
Debt Service	2,800,976
Less Debt Not Subject to Bond Covenants	(1,013,451)
DebtService Coverage (Required Debt Service Coverage: 1.25)	1.27

KETCHIKAN PUBLIC UTILITIES
2023 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:											
ADEC #481021	92,595	14,523	107,118	-	-	-	-	100.00%	107,118	100.00%	107,118
ADEC #481061	59,628	10,916	70,544	-	-	-	-	100.00%	70,544	100.00%	70,544
ADEC #481051	281,772	51,585	333,357	-	-	-	-	100.00%	333,357	100.00%	333,357
ADEC #481091	5,266	964	6,230	-	-	-	-	100.00%	6,230	100.00%	6,230
ADEC #481121	12,396	2,270	14,666	-	-	-	-	100.00%	14,666	100.00%	14,666
ADEC #481141	32,076	7,024	39,100	-	-	-	-	100.00%	39,100	100.00%	39,100
ADEC #481041	29,028	7,703	36,731	-	-	-	-	100.00%	36,731	100.00%	36,731
Series X - Whitman	890,000	153,725	1,043,725	100.00%	1,043,725	-	-	-	-	-	1,043,725
Series Y - Subsea Fiber Cable	345,000	398,800	743,800	-	-	100.00%	743,800	-	-	-	743,800
	1,747,761	647,510	2,395,271	-	1,043,725	-	743,800	-	607,746	-	2,395,271
Other Debt:											
Advances from Other Funds	390,101	15,604	405,705	-	-	100.00%	405,705	0.00%	-	100.00%	405,705
Total	2,137,862	663,114	2,800,976	-	1,043,725	-	1,149,505	-	607,746	-	2,800,976

KETCHIKAN PUBLIC UTILITIES
2023 Operating and Capital Budget
Schedule of Current and Future Annual Debt Service

Year	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
2023	107,118	70,544	333,357	6,230	14,666	39,100	1,043,725	36,731	405,705	743,800	2,800,976
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
											-
	1,071,177	811,256	3,833,605	71,645	168,659	527,852	10,447,334	587,696	405,705	12,714,850	30,639,779

KETCHIKAN PUBLIC UTILITIES
2023 Operating and Capital Budget
Revenue Summary by Utility

Electric Revenues	2021	2022			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operating Revenue							
Residential	8,479,877	8,237,200	8,237,200	8,747,800	8,704,000	466,800	5.7%
Harbor	350,409	336,500	336,500	372,300	365,700	29,200	8.7%
Business	7,597,744	7,458,400	7,458,400	7,913,000	7,875,400	417,000	5.6%
Industrial	2,036,845	1,864,200	1,864,200	2,063,000	2,029,300	165,100	8.9%
Yard Lights	62,224	62,200	62,200	64,500	64,900	2,700	4.3%
Large Commercial Demand	331,506	334,300	334,300	340,400	339,500	5,200	1.6%
City Street Lights	131,911	131,700	131,700	132,500	132,200	500	0.4%
Industrial Demand	197,791	193,800	193,800	211,500	207,500	13,700	7.1%
Diesel Fuel Surcharge	-	-	-	-	-	-	NA
Total Operating Revenue	19,188,307	18,618,300	18,618,300	19,845,000	19,718,500	1,100,200	5.9%
Other Operating Revenue							
Service Charges	108,146	100,000	100,000	111,700	100,000	-	0.0%
Penalty	60,342	73,000	73,000	74,400	73,000	-	0.0%
Pole Rentals - External	69,820	72,000	72,000	72,000	72,000	-	0.0%
Pole Rentals - Interdepartmental	153,575	159,800	159,800	159,800	159,800	-	0.0%
Reimbursable Projects	72,192	25,000	25,000	25,000	25,000	-	0.0%
Hydro Incentive Program	167,376	-	-	221,624	100,000	100,000	NA
Other Revenue	7,292	9,000	9,000	15,800	9,000	-	0.0%
Total Other Operating Revenue	638,743	438,800	438,800	680,324	538,800	100,000	22.8%
Total Operating Revenue	19,827,050	19,057,100	19,057,100	20,525,324	20,257,300	1,200,200	6.3%
Nonoperating Revenue							
Grants	-	-	-	-	-	-	NA
Total Nonoperating Revenue	-	-	-	-	-	-	NA
Total Electric Revenue	19,827,050	19,057,100	19,057,100	20,525,324	20,257,300	1,200,200	6.3%

KETCHIKAN PUBLIC UTILITIES
2023 Operating and Capital Budget
Revenue Summary by Utility

Telecommunications Revenues	2021	2022			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Local Network Services							
Business & Residential	775,629	730,600	730,600	724,553	681,000	(49,600)	-6.8%
Local Special Circuits	984,633	993,000	993,000	997,465	1,007,000	14,000	1.4%
Other Local Revenue	118,257	110,700	110,700	124,885	122,000	11,300	10.2%
Total Local Revenue	1,878,519	1,834,300	1,834,300	1,846,903	1,810,000	(24,300)	-1.3%
Network Access Services							
Interstate Flat Rate End User	625,048	590,000	590,000	569,291	537,000	(53,000)	-9.0%
Interstate Access Charges	4,709,530	4,688,100	4,688,100	4,688,066	4,688,000	(100)	0.0%
Interstate Special Access Charges	2,232,142	2,114,000	2,114,000	2,348,371	2,334,000	220,000	10.4%
Intrastate Access Charges	881,972	851,700	851,700	877,716	851,000	(700)	-0.1%
Total Network Access Services Revenue	8,448,692	8,243,800	8,243,800	8,483,444	8,410,000	166,200	2.0%
Miscellaneous							
Directory Revenue	9,728	-	-	72,910	150,000	150,000	NA
Miscellaneous Revenue	36,023	46,400	46,400	51,247	51,000	4,600	9.9%
Total Miscellaneous Revenue	45,751	46,400	46,400	124,157	201,000	154,600	333.2%
Nonregulated & Other Revenue							
Customer Premise Eq Sales/Service	6,646	20,000	20,000	4,234	15,000	(5,000)	-25.0%
Long Distance Revenue	108,008	98,500	98,500	112,214	110,000	11,500	11.7%
IP Network	6,202,077	6,154,500	6,154,500	6,632,154	6,621,000	466,500	7.6%
4G LTE	3,077,078	3,081,900	3,081,900	2,902,258	2,890,000	(191,900)	-6.2%
Miscellaneous	67,095	70,400	70,400	90,897	92,000	21,600	30.7%
Total Nonregulated & Other Revenue	9,460,904	9,425,300	9,425,300	9,741,757	9,728,000	302,700	3.2%
Total Operating Revenues	19,833,866	19,549,800	19,549,800	20,196,261	20,149,000	599,200	3.1%
Nonoperating Revenue							
Bond Proceeds	-	257,600	257,600	-	-	(257,600)	-100.0%
Total Nonoperating Revenue	-	257,600	257,600	-	-	(257,600)	0.0%
Total Telecommunications Revenue	19,833,866	19,807,400	19,807,400	20,196,261	20,149,000	341,600	1.7%

KETCHIKAN PUBLIC UTILITIES
2023 Operating and Capital Budget
Revenue Summary by Utility

Water Revenues	2021	2022			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operating Revenue							
Residential	1,950,255	2,031,500	2,031,500	2,033,500	2,114,800	83,300	4.1%
Apartment	408,465	426,500	426,500	427,200	444,300	17,800	4.2%
Business	1,519,350	1,562,100	1,562,100	1,629,100	1,694,200	132,100	8.5%
Industrial	105,526	109,800	109,800	110,000	114,400	4,600	4.2%
Seafood Processors	355,817	369,600	369,600	370,900	385,700	16,100	4.4%
Port	6,615	167,500	167,500	91,500	167,500	-	0.0%
Fire Hydrant	32,674	34,000	34,000	34,100	35,400	1,400	4.1%
Total Operating Revenue	4,378,702	4,701,000	4,701,000	4,696,300	4,956,300	255,300	5.4%
Other Operating Revenue							
Penalty	15,155	23,000	23,000	17,200	23,000	-	0.0%
Other Revenue	2,218	1,000	1,000	1,800	1,000	-	0.0%
Raw Fish Tax	36,793	34,500	34,500	91,376	91,100	56,600	164.1%
Total Other Operating Rev	54,166	58,500	58,500	110,376	115,100	56,600	96.8%
Total Operating Revenue	4,432,868	4,759,500	4,759,500	4,806,676	5,071,400	311,900	6.6%
Water Nonoperating Revenue							
Bond Proceeds	6,689,387	650,613	650,613	1,595	851,520	200,907	30.9%
Total Nonoperating Water Revenue	6,689,387	650,613	650,613	1,595	851,520	200,907	30.9%
Total Water Revenue	11,122,255	5,410,113	5,410,113	4,808,271	5,922,920	512,807	9.5%

KETCHIKAN PUBLIC UTILITIES
2023 Operating and Capital Budget
Revenue Summary by Utility

Other Revenues	2021	2022			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operating Revenue							
Interest Income	15,052	16,000	16,000	135,000	100,000	84,000	525.0%
Gen Gov Billing and Collections	98,000	98,000	98,000	98,000	98,000	-	0.0%
Total Other Operating Revenue	113,052	114,000	114,000	233,000	198,000	84,000	73.7%

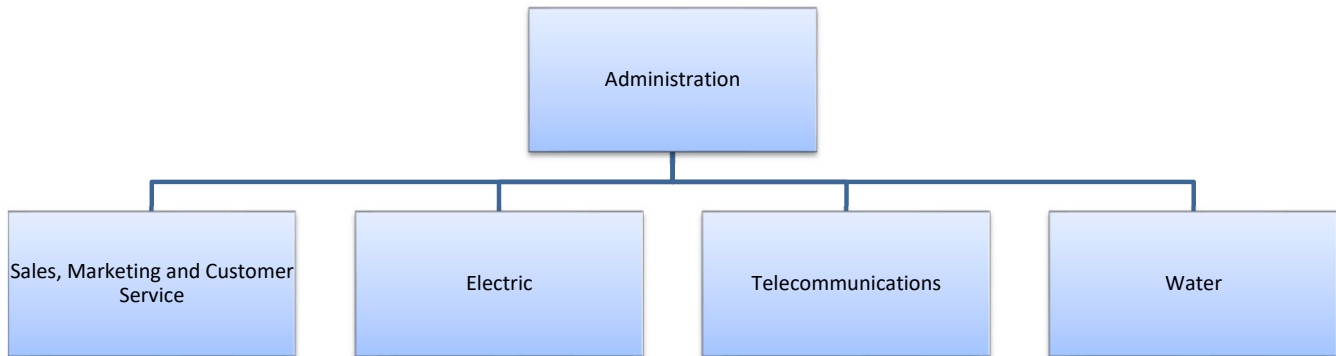
KETCHIKAN PUBLIC UTILITIES
2023 Operating and Capital Budget
Revenue Summary by Utility

All KPU Revenues	2021	2022			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operating Revenues							
Electric	19,827,050	19,057,100	19,057,100	20,525,324	20,257,300	1,200,200	6.3%
Telecommunications	19,833,866	19,549,800	19,549,800	20,196,261	20,149,000	599,200	3.1%
Water	4,432,868	4,759,500	4,759,500	4,806,676	5,071,400	311,900	6.6%
Other	113,052	114,000	114,000	233,000	198,000	84,000	73.7%
	44,206,836	43,480,400	43,480,400	45,761,261	45,675,700	2,195,300	5.0%
Nonoperating Revenues							
Electric	-	-	-	-	-	-	NA
Telecommunications	-	257,600	257,600	-	-	(257,600)	NA
Water	6,689,387	650,613	650,613	1,595	851,520	200,907	New
Other	-	-	-	-	-	-	NA
	6,689,387	908,213	908,213	1,595	851,520	(56,693)	New
Total Revenue - All Divisions	50,896,223	44,388,613	44,388,613	45,762,856	46,527,220	2,138,607	4.8%

CITY OF KETCHIKAN
2023 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 \$59.7 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	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operations	306,284	315,010	322,640	312,770	397,461	82,451	26.2%
Capital Improvement Program	-	20,000	20,000	-	20,000	-	0.0%
Total	306,284	335,010	342,640	312,770	417,461	82,451	24.6%

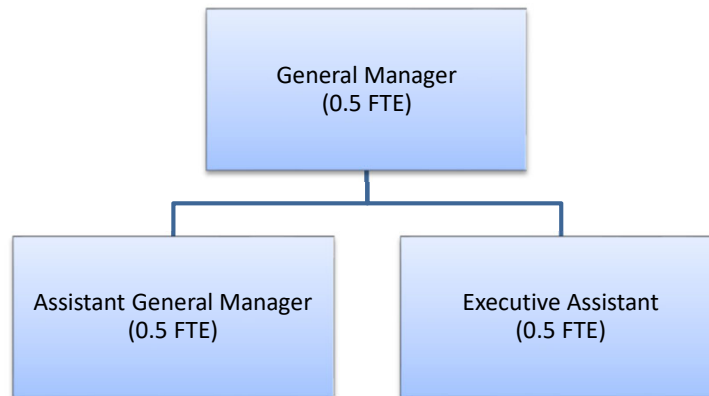
Expenditures by Category	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	295,078	257,185	263,990	262,980	352,796	95,611	37.2%
Supplies	1,116	3,040	3,190	2,200	3,040	-	0.0%
Contract/Purchased Services	4,278	47,975	48,450	42,100	32,975	(15,000)	-31.3%
Minor Capital Outlay	-	1,000	1,200	1,150	3,300	2,300	230.0%
Interdept'l Charges/Reimbursable Credits	5,812	5,810	5,810	4,340	5,350	(460)	-7.9%
Major Capital Outlay	-	20,000	20,000	-	20,000	-	0.0%
Total	306,284	335,010	342,640	312,770	417,461	82,451	24.6%

Funding Source	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	306,284	335,010	342,640	312,770	417,461	82,451	24.6%
Total	306,284	335,010	342,640	312,770	417,461	82,451	24.6%

Personnel	2021	2022 Budget		2023		2022 Adopted/2023	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
Administration	1.50	1.50	1.50	1.50	228,927	-	0.0%
Total	1.50	1.50	1.50	1.50	228,927	-	0.0%

MISSION STATEMENT

The mission of Ketchikan Public Utilities is to provide quality municipal utility services as efficiently and effectively as possible within the 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 2023

- 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 division managers to advance City Council approved Capital Improvement Programs.
- In conjunction with the Human Resources Division, complete recruitment efforts for a new Electric Division Manager to succeed Andy Donato, who retired January 3, 2022.
- Work with the Electric Division to continue the division's modernization program for the diesel generators at the Bailey Power Plant. Evaluate need for additional capacity and pursue shower power expansion for the Port of Ketchikan should funding become available.

- Continue to work with Telecommunications Division management to take maximum advantage of the completed undersea fiber link from Ketchikan to Prince Rupert, British Columbia, including marketing and selling data transmission services to third parties.
- Continue work with the Alaska Department of Environmental Conservation, Water Division and contractors to gain a Limited Alternative to Filtration designation by the Environmental Protection Agency to address excessive coliforms in the raw water supply with current treatment methods and avoid the installation of a filtration system.
- Work with the City's State and Federal legislative lobbyists, to access any and all Bipartisan Infrastructure Law funded 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 2024 Ketchikan Public Utilities Operating and Capital Budget and the 2024-2028 Capital Improvement Plan. Evaluate traditional service delivery in light of continued reductions to state programs and/or direct assistance to municipalities.
- Work with the City Council, staff, public and stakeholders identified by the City Council to develop a comprehensive strategic plan for Ketchikan Public Utilities.
- With the City Council, Human Resources Division, and Finance Department, evaluate current employee compensation and develop solutions to address recruitment and retention issues.
- Work with the City Council and Division Managers, Finance Department and third party consultants as appropriate to evaluate current utilities rates and develop sustainable rate structures to support operations and capital improvements.

ACCOMPLISHMENTS FOR 2022

- 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.
- Assisted the City Council with the recruitment of a new City Manager/KPU General Manager following the retirement of Karl R. Amylon on August 31, 2021. Delilah Walsh of Las Cruces, New Mexico was selected as the successful candidate for City Manager/KPU General Manager and began the position October 1, 2022.
- Assistant City Manager/Assistant KPU General Manager Lacey G. Simpson served as the Acting City Manager/Acting KPU General Manager thorough City Council appointment from September 1, 2021 through September 30, 2022 and assisted new Manager Delilah Walsh in the leadership transition.
- With the Water Division and third-party consultant, successfully submitted the reports required of the 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 Water Division and Public Works Department management, in order to continue the deployment of water meters for all commercial water and wastewater utility customers.

CITY OF KETCHIKAN
2023 Operating and Capital Budget
General Manager

Administration 5100

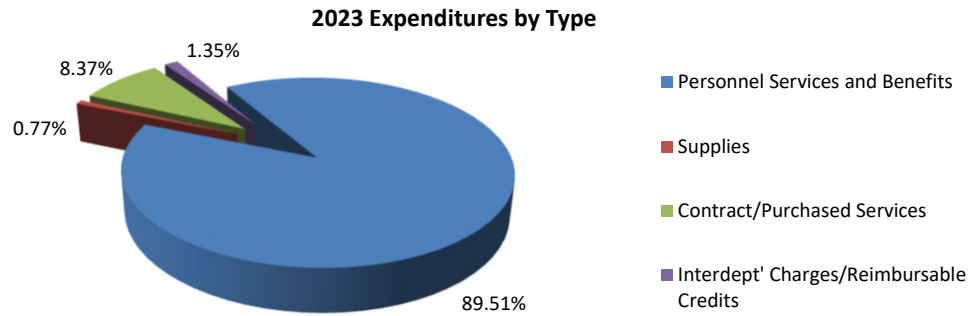
- Worked with the Human Resources Division and Victor-Four Labor Relations to successfully negotiate a three-year successor collective bargaining agreement with the International Brotherhood of Electrical Workers, Local 1547 to replace the previous agreement that expired December 31, 2020.
- With the the Human Resources Division, hired Daniel Lindgren, Assistant Telecommunications Division Manager for Ketchikan Public Utilities, as the new Telecommunications Division Manager to replace Ed Cushing, who retired August 22, 2022.
- 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.
- With direction from the City Council worked with the General Manager's office and outside legal counsel to advance a Power Sales Agreement between KPU and Metlakatla Power and Light (MP&L) for MP&L's needs in pursuing grant funding for a subsea electrical connection with KPU and enhanced broadband service for the community of Metlakatla.

DIVISION SUMMARY

Expenditures by Category	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	295,078	257,185	263,990	262,980	352,796	95,611	37.2%
Supplies	1,116	3,040	3,190	2,200	3,040	-	0.0%
Contract/Purchased Services	4,278	47,975	48,450	42,100	32,975	(15,000)	-31.3%
Minor Capital Outlay	-	1,000	1,200	1,150	3,300	2,300	230.0%
Interdept' Charges/Reimbursable Credits	5,812	5,810	5,810	4,340	5,350	(460)	-7.9%
Total Expenditures	306,284	315,010	322,640	312,770	397,461	82,451	26.2%

Funding Source	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	306,284	315,010	322,640	312,770	397,461	82,451	26.2%
Total Funding	306,284	315,010	322,640	312,770	397,461	82,451	26.2%

Personnel	2021	2022 Budget		2023		2022 Adopted/2023	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
General Manager	0.50	0.500	0.500	0.500	107,500	-	0.0%
Acting General Manager	-	0.375	0.375	-	-	(0.375)	NA
Assistant General Manager	0.50	0.125	0.125	0.500	84,990	0.375	300.0%
Executive Assistant	0.50	0.500	0.500	0.500	36,437	-	0.0%
Total	1.500	1.500	1.500	1.500	228,927	-	0.0%



OPERATING BUDGET CHANGES FOR 2023

Changes between the adopted operating budget for 2022 and the proposed operating budget for 2023 that are greater than 5% and \$5,000 are discussed below:

- Personnel Services and Benefits increased by \$95,611, or by 37.2%, as a result of the appointment of the General Manager, who began employment October 1, 2022; annual employee step increases, a 2.5% cost of living adjustment for non-represented employees that will become effective January 1, 2023; and projected increases in pension, health insurance and other benefits costs.
- Management & Consulting Services (Account No. 640.04) decreased by \$15,000, or by 42.9%, to reflect the projected costs of any professional third party consultant needed to develop a strategic plan for Ketchikan Public Utilities.

Operating Expenditures	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits							
500. 01 Regular Salaries and Wages	192,158	163,775	162,950	162,950	228,926	65,151	39.8%
501. 01 Overtime Wages	591	1,000	1,000	790	1,000	-	0.0%
502. 01 Temporary Wages	-	2,000	7,150	7,150	2,000	-	0.0%
505. 00 Payroll Taxes	14,230	12,760	13,660	13,660	17,750	4,990	39.1%
506. 00 Pension	44,551	36,850	36,800	36,310	51,510	14,660	39.8%
507. 00 Health and Life Insurance	29,260	25,770	27,350	27,350	46,360	20,590	79.9%
507. 30 Workers Compensation	637	450	500	490	630	180	40.0%
508. 00 Other Benefits	13,351	4,280	4,280	4,280	4,620	340	7.9%
509. 07 Allowances-Moving Expense Taxed	-	10,000	10,000	10,000	-	(10,000)	-100.0%
509. 10 Allowances-Add'l Life Benefit	300	300	300	-	-	(300)	-100.0%
Personnel Services and Benefits	295,078	257,185	263,990	262,980	352,796	95,611	37.2%
Supplies							
510. 01 Office Supplies	675	750	550	550	750	-	0.0%
515. 01 Vehicle Maintenance Materials	-	400	400	200	400	-	0.0%
520. 02 Postage	26	100	100	30	100	-	0.0%
525. 04 Motor Vehicle Fuel & Lubricants	209	625	975	780	625	-	0.0%
530. 02 Periodicals	136	165	165	140	165	-	0.0%
535. 02 Business and Meal Expenses	70	1,000	1,000	500	1,000	-	0.0%
Supplies	1,116	3,040	3,190	2,200	3,040	-	0.0%

CITY OF KETCHIKAN
2023 Operating and Capital Budget
General Manager

Administration 5100

Operating Expenditures	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Contract/Purchased Services							
600. 01 Travel-Business	879	8,000	12,000	12,000	8,000	-	0.0%
605. 01 Advertising & Public Announcements	1,472	-	-	-	-	-	NA
615. 02 Assn Membership Fees & Dues	577	1,825	1,825	600	1,825	-	0.0%
630. 02 Vehicle Licenses	10	50	50	-	50	-	0.0%
635. 07 Machinery & Equip Maint Services	-	1,000	1,000	100	1,000	-	0.0%
635. 12 Technical Services	-	100	100	-	100	-	0.0%
640. 04 Management & Consulting Services	-	35,000	31,475	28,000	20,000	(15,000)	-42.9%
650. 01 Telecommunications	1,340	2,000	2,000	1,400	2,000	-	0.0%
Contract/Purchased Services	4,278	47,975	48,450	42,100	32,975	(15,000)	-31.3%
Minor Capital Outlay							
790. 26 Minor Computers, Printers & Copiers	-	1,000	1,200	1,150	3,300	2,300	230.0%
Minor Capital Outlay	-	1,000	1,200	1,150	3,300	2,300	230.0%
Interdepartmental Charges							
825. 01 Interdept'l Charges-Insurance	5,812	5,810	5,810	4,340	5,350	(460)	-7.9%
Interdepartmental Charges	5,812	5,810	5,810	4,340	5,350	(460)	-7.9%
Total Expenditures by Type	306,284	315,010	322,640	312,770	397,461	82,451	26.2%

NARRATIVE

500.01 Regular Salaries and Wages: \$228,926 – 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: \$17,750 – This account provides expenditures for employer contributions to Social Security and Medicare and other similar payroll taxes.

506.00 Pension: \$51,510 – This account provides expenditures for employer contributions to retirement plans.

507.00 Health and Life Insurance: \$46,360 – This account provides expenditures for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation: \$630 – This account provides expenditures for employer contributions to workers compensation.

508.00 Other Benefits: \$4,620 – 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.

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 General Manager'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 General Manager'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 business travel by the General Manager and office staff to attend conferences, legislative meetings, and other business requiring travel.

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: \$20,000 – This account provides expenditures for services for management and consulting services associated with developing a strategic plan for Ketchikan Public Utilities.

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: \$3,300 – This account provides for half of the purchase costs for one new desktop computer, two monitors and a UPS backup batteries for the Executive Assistant's workstation, a laptop for the General Manager, and a printer for the General Manager Department per the replacement schedule developed by the Information Technology Department.

825.01 Interdepartmental Charges-Insurance: \$5,350 – This account provides expenditures for the cost of risk management services.

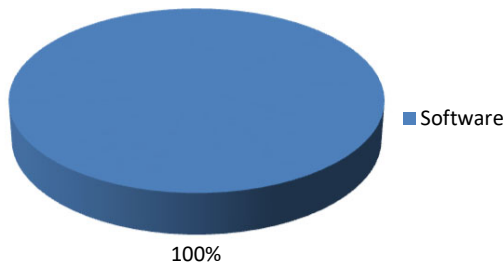
CITY OF KETCHIKAN
2023 Operating and Capital Budget
General Manager

Capital Budget

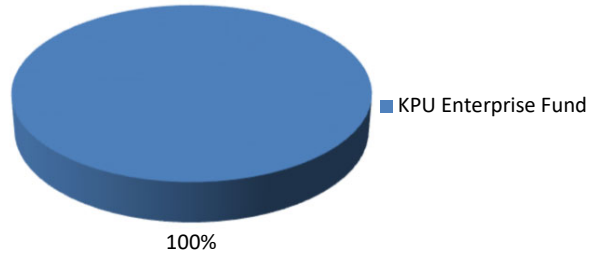
Major Capital Outlay	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
735-00 Software	-	20,000	20,000	-	20,000	-	0.0%
Total Major Capital Outlay	-	20,000	20,000	-	20,000	-	0.0%

Capital Improvement Projects		Funding Sources		
Project #	Project	KPU Enterprise Fund		Total
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



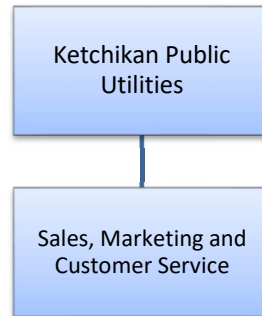
Expenditures by Funding Source



KETCHIKAN PUBLIC UTILITIES
2023 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	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operations	2,859,255	3,147,742	3,147,742	2,993,746	3,322,910	175,168	5.6%
Capital Improvement Program	-	-	-	-	65,635	65,635	New
Total	2,859,255	3,147,742	3,147,742	2,993,746	3,388,545	240,803	7.7%

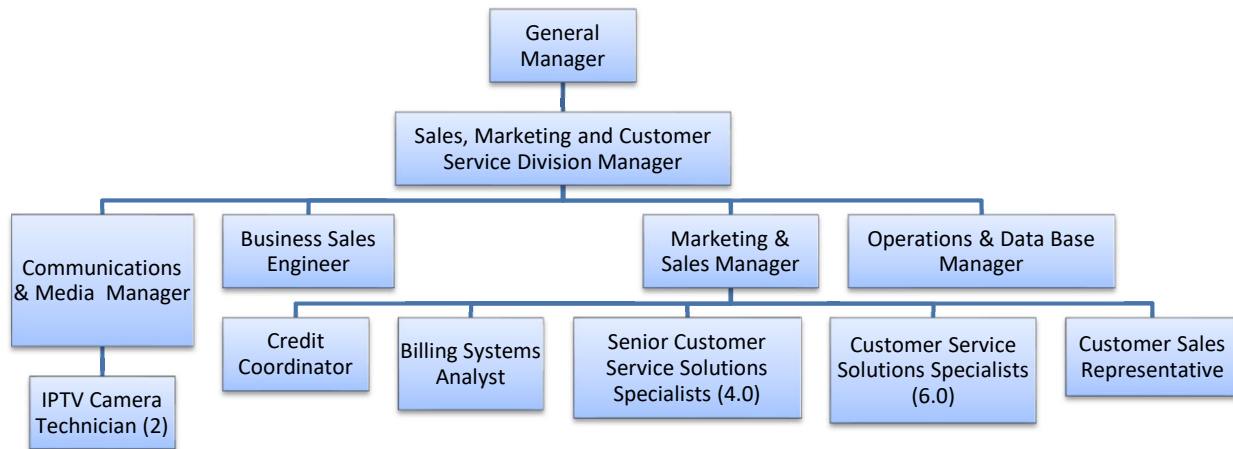
Expenditures by Category	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	1,993,948	2,200,692	2,200,692	2,058,390	2,333,540	132,848	6.0%
Supplies	91,198	102,600	106,605	106,028	109,050	6,450	6.3%
Contract/Purchased Services	735,349	787,020	776,335	765,283	794,020	7,000	0.9%
Minor Capital Outlay	4,241	23,000	29,500	29,435	43,700	20,700	90.0%
Interdepartmental Charges-Insurance	34,519	34,430	34,610	34,610	42,600	8,170	23.7%
Major Capital Outlay	-	-	-	-	65,635	65,635	New
Total	2,859,255	3,147,742	3,147,742	2,993,746	3,388,545	240,803	7.7%

Funding Source	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	2,859,255	3,147,742	3,147,742	2,993,746	3,388,545	240,803	7.7%
Total	2,859,255	3,147,742	3,147,742	2,993,746	3,388,545	240,803	7.7%

Full-time Equivalent Personnel	2021	2022 Budget		2023		2022 Adopted/2023	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
Operations	19.00	19.00	19.00	20.00	1,356,960	1.00	5.3%
Total	19.00	19.00	19.00	20.00	1,356,960	1.00	5.3%

MISSION STATEMENT

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



GOALS FOR 2023

- Achieve continued growth in residential and business internet, as well as business product categories within the Telecommunications Division. 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.
- Focus on KPU's unique strengths in advertising: local support/management, superior customer service, exclusive fiber optic symmetric unlimited Internet, hosted/managed business services, superior fiber to the home network. Continue to increase web and digital advertising, including adding TikTok selectively.
- 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.
- Continue 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 and 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.
- Update KPU website to most current Google SEO requirements of mobile-first.
- Monetize KPUtv video through online website/pay-wall for non-KPU customers.
- Complete conversion of credit card processor to save money while offering other automated payment options for customers.

KETCHIKAN PUBLIC UTILITIES

2023 Operating and Capital Budget Sales, Marketing and Customer Service

Operations 5110

- Continue enhancement of local TV content by establishing new programming focusing on local personalities, such as Elder Oral Histories, 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 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. Convert Call Coaching to in-house to save expense and to make sure goals align with KPU and City culture.
- Utilize Recruitment Solutions consultants to ensure staff is equipped with appropriate sales skills prior to hire/post hire.
- Continue to identify process improvements in the New World electrical billing system to streamline work to allow CSRs to focus on Telecommunications sales.
- Promote staff development by determining individual goals and providing opportunities for additional training and education. This will contribute to staff retention by the City and KPU.

ACCOMPLISHMENTS FOR 2022

- In the last year, the division has achieved growth in the following categories; +5% in Internet sales, +25% 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. KPU Customer Service successfully worked to upgrade customers to the higher speed plans which give customers a better internet experience without buffering. As a result 64% of of KPU customers now subscribe the the faster speeds.
- Achieved a 18% growth in Hosted Business systems managed WIFI, managed firewall, managed security camera, and managed data center sales in an already strong market. Despite the tight economy, VOIP phone systems increased by 7%. 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. Additionally KPU installed a very large remote installation of hosted services in 2022.
- KPU Sales and Marketing successfully proposed and won the long term contract to provide enterprise level internet and fiber connectivity to the School district for the next 5 years.
- 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 Business Sales Engineer successfully negotiated the winback from GCI of several key local businesses. Contracts were signed for internet, phone service and hosted services. Reasons for these winbacks were KPU's stable internet, suite of hosted products, dedicated business techs and strong customer service.

- The need for a business products showcase has become necessary for KPU, as the hosted business has increased. The former Verizon sales location in the mall was converted to a hosted business sales floor late Spring 2022. There also was the need for complex business sales staff, to assist the Business Sales Engineer in demonstrating products and analyzing businesses. Two experienced Customer Solutions Specialists were interviewed and promoted to Senior Customer Solutions Specialists in July.
- KPU Marketing completed the application for KPU to be accepted into the Smart Rural Community association. The application was successful and in June KPU became one of only 229 communities in the USA to be designated Smart Rural Community. This designation states that the "internet company provides high speed, reliable and sustainable connectivity to allow their community to thrive an online worked, where distance work telemedicine, distance learning continue to grow." The designation means that there is equal opportunity for education, resources, entrepreneurship for those who live the SRC communities as those who live in big cities. As part of rural Alaska, KPU was also given the status of Smart Tribal Community since Ketchikan is on historical Native Alaskan Land.
- The KPUtv crew perfected the use of fixed cameras for sporting events, which became a necessity with the shortage of temps and the elimination of the Kayhi film class and its students. With one person in the switching booth, and fixed cameras, many games were able to be managed with one person, although at least two are preferable. This became very evident when so many Regions ended up being hosted in Ketchikan in 2022, and nearly 40 games had to be filmed.
- KPUTV was awarded first place for Overall Excellence from Alliance for Community Media/Hometown Media awards for 2021-Reviewed and awarded in 2022. This award is for a community channel that is judged to provide the highest quality in local programming. KPU's entry was a 20 minute compilation highlighting KPUTV's body including Wearable Arts, Alaska Above and Beyond, Ketchikan Night Before Christmas, On the Land Connection and Ancestry (Native Foraging), Missing and Murdered Indigenous, City Council, Fourth of July Coverage, Ketchikan Beach Olympic Event, Kayhi sports coverage, Kayhi 2021 Graduation and pre-graduation events, Taste of Southeast Cooking show, Wet Weather Wellness Mental Health Show. KPU was also awarded first place in the Arts & Entertainment Category for the production of the "virtual" Wearable Arts show filmed in the industrial complex at Ward Cove. This film was used by the KAAHC as a premier at the local theater, and as an online viewable event. 2022 marks the eleventh year in which KPU has been recognized for its outstanding local TV shows and documentaries by national organizations.
- KPUtv purchased a second 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. An additional new development was the ability to insert KPU commercials, or mini videos into live events at breaks. This was used to insert the Kayhi Senior look-back film into graduation, as well as insert videos into the 4th of July parade when there were long breaks in the parade. KPU videos were also used at the start of the parade since the floats took 30 minutes to reach the film location.
- KPU's marketing staff continued to perform work for other City departments. Marketing and KPUTV staff designed and coordinated social media images, social media videos, direct mail postcards, and radio PSAs for City Wastewater's "No Wipes in the Pipes" program to make the community aware of the negative impact so many materials have on the wastewater system. A social media post was created for Public Works explaining the triage process used for snow and ice by the streets crew. This included the "faces" of those who were working the streets during the extended storm. This post was one of the most popular ever created by the City. It was liked by more than 400 citizens, was commented on more than 100 times and was shared 73 times. Marketing staff produced event images/logos for KPD's Community Ketch-Up monthly event, and produced media posts and posters for KFD 9/11 event. KPU Marketing regularly posts NOAA updates, Public Works construction updates, and Port and Harbor updates.
- KPU Customer Service and Marketing began work on the KPU Yellow Page Directory in February. The Directory had not been published since the pandemic. The re-launch involved notifying the public, identifying businesses that had closed, changed, moved, as well as new businesses. The format was redesigned to save expense, which had increased significantly. The directory was receive in home and in business in August.
- The Divison Manger Kim Simpson is a member of the national NTCA Marketing Board for rural telecommunication companies. She was selected to speak at the national event in Florida in April regarding how to build sales when operating in a municipal environment. At the same meeting she was appointed to the planning committee for the 2023 conference.

- KPU Marketing developed a multi-part advertising campaign to educate the community on the national change to require area codes (10 digit dialing) for all locally dialed numbers, both on cell phones and landlines. Social media, a mailed postcard, posters, radio PSAs and print advertising were all designed and used as was a Nixle advisory alert.
- KPU Marketing expanded advertising in 2022 to include digital advertising on YouTube, and other web platforms. Web videos feature symmetric internet, KPU's beloved Tide Flat Legends video, and images of important locals talking about KPU's fiber internet in a "News" format. New radio was also produced focusing on symmetric internet, plus tech tips. A weekly ad highlighting the new local video content schedule has been scheduled to run every Wednesday.
- Sales and Marketing continued to update the KPU Telecommunications website, www.kputel.com, on a monthly basis. New for 2022 is the addition of Smart Rural Community pages, as well as scam notification pages for the public. Images on the website are being converted to only include images of local residents vs. stock images. Marketing staff also regularly edits the Electric, Water, Waste Water and Solid Waste Department portions of the City website, since those departments do not have the staff to do so. A recent addition was the schedule of holiday trash pickup on the solid waste department site, since that is a common question from the public .
- KPU Marketing launched new on-screen advertising in the Mall location in June, using the existing display TVs to show KPU products, promotions and video. The images change using slides every 20-40 seconds and have been well-received. The ads are changed via a cloud based connection and are updated real-time.
- KPU Marketing resumed their Tech Tips for Seniors event at the Library in July after a break due to the pandemic. At this event, seniors are educated on streaming, cloud services, brought up to date on current phone/text/email scams and are provided assistance on technical issues they might have.
- The KPU Marketing & KPUTV staff added to previous virtual Holiday tree lighting events for the community by creating a video version of the custom Ketchikan Christmas story "A Ketchikan Christmas" written by Marketing Manager Morgan Weber in late 2021. This video will be repeated for 2022, although the intent is to have a live tree lighting event with Santa, music, cookies and cocoa and crafts. "Letters to Santa" with elves sending responses to children will be repeated, but Santas on Firetrucks will not. The Marketing staff are spearheading the event again for the 2022 holiday season.
- The KPU Sales, Marketing and Customer Service Division once again 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 three 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 11 employees throughout the City/KPU who began employment in Customer Service. Three additional KPU SM&CS openings were filled internally by current employees who were promoted from temporary or lower graded positions.
- Facebook is a key tool for communicating with customers regarding KPU's image, products, 'presence' and approachability. Staff maintains four specific Facebook pages and one Instagram page: [KPUTV](#): KPUTV's local TV programming and events, Business Highlights; [KPU Telecommunications](#): Promotes/advertises KPU Telecommunications services, educates, entertains and informs the public on technology, scams, and articles of interest; [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; [KPUTV Instagram](#): To highlight projects that KPUTV is working on, and events in the community. Facebook allows staff to immediately reply to customers, assist with technical questions, post public information, 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. Marketing staff monitor and respond to citizens/customers 7 days per week.

KETCHIKAN PUBLIC UTILITIES
2023 Operating and Capital Budget
Sales, Marketing and Customer Service

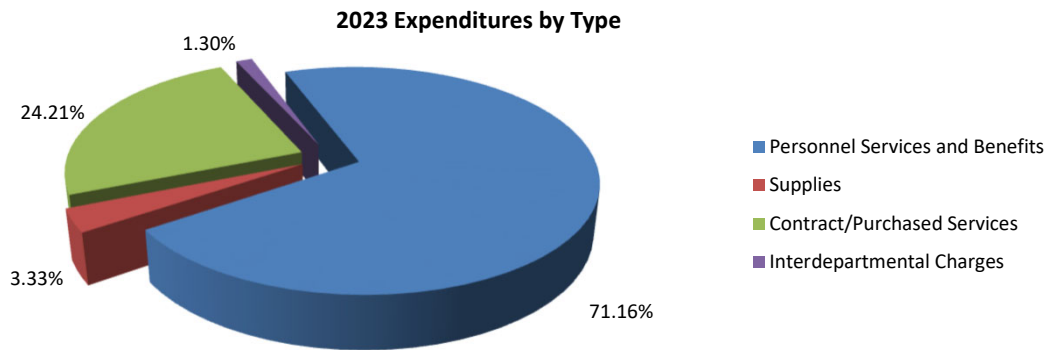
Operations 5110

DIVISION SUMMARY

Expenditures by Category	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	1,993,948	2,200,692	2,200,692	2,058,390	2,333,540	132,848	6.0%
Supplies	91,198	102,600	106,605	106,028	109,050	6,450	6.3%
Contract/Purchased Services	735,349	787,020	776,335	765,283	794,020	7,000	0.9%
Minor Capital Outlay	4,241	23,000	29,500	29,435	43,700	20,700	90.0%
Interdepartmental Charges	34,519	34,430	34,610	34,610	42,600	8,170	23.7%
Total Expenditures	2,859,255	3,147,742	3,147,742	2,993,746	3,322,910	175,168	5.6%

Funding Source	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	2,859,255	3,147,742	3,147,742	2,993,746	3,322,910	175,168	5.6%
Total Funding	2,859,255	3,147,742	3,147,742	2,993,746	3,322,910	175,168	5.6%

Full-time Equivalent Personnel	2021	2022 Budget		2023		2022 Adopted/2023	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
SM & CS Manager	1.00	1.00	1.00	1.00	140,221	-	0.0%
Business Sales Engineer	1.00	1.00	1.00	1.00	85,510	-	0.0%
Marketing & Sales Manager	1.00	1.00	1.00	1.00	89,449	-	0.0%
Local Content, Social Media & PR Manager	1.00	1.00	1.00	1.00	73,388	-	0.0%
Database Manager	1.00	1.00	1.00	1.00	73,735	-	0.0%
IPTV Camera Technician	1.00	1.00	1.00	2.00	122,554	1.00	100.0%
Credit Coordinator	1.00	1.00	1.00	1.00	72,203	-	0.0%
Billing System Analyst	1.00	1.00	1.00	1.00	72,904	-	0.0%
Senior Customer Solutions Specialist	4.00	4.00	4.00	4.00	252,075	-	0.0%
Customer Solutions Specialist	6.00	6.00	6.00	6.00	326,956	-	0.0%
Customer Sales Rep I	1.00	1.00	1.00	1.00	47,965	-	0.0%
Total	19.00	19.00	19.00	20.00	1,356,960	1.00	5.3%



OPERATING BUDGET CHANGES FOR 2023

Changes between the adopted operating budget for 2022 and the proposed operating budget for 2023 that are greater than 5% and \$5,000 are discussed below.

- Personnel Services and Benefits increased by \$132,848, or by 6.0%, as a result of the addition of one IPTV Camera Technician position, annual employee step increases, cost of living adjustment for represented and non-represented employees that will become effective January 1, 2023; and projected increases in pension, health insurance and other benefits costs, which was offset by a reduction in temporary wages.
- Printing and Binding (Account 605.03) increased by \$6,000, or by 66.7%, due to need to reprint TV user manuals.
- Bank and Merchant Charges (Account 630.03) decreased by \$20,000, or by 8.0%, due to a planned conversion to a new payment processor.
- Technical Services (Account 635.12) is increased by \$6,260, or by 19.0%, primarily for a complete overhaul and redesign of the KPU customer website.
- Machinery & Equipment (Account No. 790.25) increased by \$6,550, or by 61.5%, due to the need for replacement Sony cameras, batteries, storage, microphone, cell phone replacement. The cost reflects trade in credits.
- Computers, Printer & Copiers (Account No. 790.26) increased by \$11,400, or by 102.7%, due to the need to replace seven computers, a printer, batter backups and screens per the replacement schedule developed by the Information Technology Department.
- Interdepartmental - Insurance (Account No. 825.01) increased by \$8,170, or by 23.7%, to reflect increased insurance premiums.

DIVISION OPERATING BUDGET DETAIL

Operating Expenditures	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits							
500 .01 Regular Salaries and Wages	1,184,089	1,252,412	1,252,412	1,169,760	1,356,960	104,548	8.3%
501 .01 Overtime Wages	15,845	31,500	31,500	30,760	31,500	-	0.0%
502 .01 Temporary Wages	26,123	28,500	28,500	27,760	10,000	(18,500)	-64.9%
505 .00 Payroll Taxes	93,821	100,400	100,400	94,570	106,990	6,590	6.6%
506 .00 Pension	235,580	250,880	250,880	236,660	274,920	24,040	9.6%
507 .00 Health and Life Insurance	431,060	476,440	471,950	433,970	490,530	14,090	3.0%
507 .30 Workers Compensation	3,142	3,430	3,430	3,290	3,750	320	9.3%
508 .00 Other Benefits	(18,431)	33,630	33,630	33,630	30,890	(2,740)	-8.1%
509 .09 Incentive Pay	22,719	23,000	27,490	27,490	27,500	4,500	19.6%
509 .12 Allowances-Vehicles	-	500	500	500	500	-	0.0%
Personnel Services and Benefits	1,993,948	2,200,692	2,200,692	2,058,390	2,333,540	132,848	6.0%

KETCHIKAN PUBLIC UTILITIES
2023 Operating and Capital Budget
Sales, Marketing and Customer Service

Operations 5110

Operating Expenditures	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Supplies							
510 .01 Office Supplies	14,851	19,000	19,000	19,000	19,000	-	0.0%
510 .02 Operating Supplies	8,211	9,000	9,000	9,000	9,000	-	0.0%
510 .03 Safety Program Supplies	-	200	600	600	200	-	0.0%
510 .04 Janitorial Supplies	887	2,500	2,500	2,500	2,500	-	0.0%
510 07 Food & Catering					1,500		NA
515 .01 Vehicle Maintenance Materials	322	1,000	455	415	1,000	-	0.0%
520 .02 Postage	2,787	3,000	4,000	3,900	3,900	900	30.0%
520 .03 Bulk Mailing	59,711	65,100	67,600	67,200	67,000	1,900	2.9%
520 .04 Materials & Supplies	2,500	-	-	-	-	-	NA
525 .04 Vehicle Motor Fuel & Lubricants	408	500	630	621	650	150	30.0%
530 .02 Periodicals	161	200	270	267	200	-	0.0%
535 .02 Allowances-Business and Meal Expense	1,073	1,100	1,100	1,100	1,100	-	0.0%
535 .04 Allowances-Uniforms/Clothing/Badges	287	1,000	1,450	1,425	3,000	2,000	200.0%
Supplies	91,198	102,600	106,605	106,028	109,050	6,450	6.3%
Contract/Purchased Services							
600 .01 Travel-Business	620	6,400	8,400	8,373	11,000	4,600	71.9%
600 .02 Travel-Training	-	4,000	4,000	3,703	4,000	-	0.0%
600 .03 Travel-Training and Education	9,233	12,000	9,820	3,880	14,200	2,200	18.3%
605 .01 Ads & Public Announcements	804	1,500	1,800	1,800	1,800	300	20.0%
605 .02 Marketing	141,886	160,000	144,180	140,000	160,000	-	0.0%
605 .03 Printing and Binding	9,200	9,000	13,000	13,000	15,000	6,000	66.7%
610 .01 Community Promotion	3,602	6,000	6,500	6,500	6,000	-	0.0%
615 .02 Assn. Membership Dues & Fees	545	1,200	1,200	1,200	1,200	-	0.0%
630 .02 Vehicle Licenses	10	20	35	32	60	40	200.0%
630 .03 Bank and Merchant Charges	235,517	250,000	250,000	250,000	230,000	(20,000)	-8.0%
630 .04 Broadcast Content Fees	2,695	2,600	2,600	2,600	2,600	-	0.0%
635 .02 Janitorial & Cleaning Services	8,400	7,200	7,850	7,840	8,000	800	11.1%
635 .06 Building and Grounds Maint Services	2,665	3,600	2,600	2,400	2,400	(1,200)	-33.3%
635 .07 Machinery & Equipment Maint Services	1,136	2,600	2,950	2,936	3,000	400	15.4%
635 .12 Technical Services	34,102	33,000	31,000	31,000	39,260	6,260	19.0%
635 .14 Other Contractual Services	7,224	6,000	6,000	5,982	6,000	-	0.0%
640 .04 Management & Consulting Services	127,470	128,000	128,000	128,000	131,000	3,000	2.3%
645 .01 Rents and Leases-Land & Buildings	105,680	107,800	107,800	107,800	110,000	2,200	2.0%
645 .02 Rents and Leases-Machinery & Equip	-	400	200	-	-	(400)	-100.0%
650 .01 Telecommunications	38,724	38,500	41,000	40,890	41,000	2,500	6.5%
650 .02 Electric, Water, Sewer & Solid Waste	5,836	7,200	7,400	7,347	7,500	300	4.2%
Contract/Purchased Services	735,349	787,020	776,335	765,283	794,020	7,000	0.9%
Minor Capital Outlay							
790 .15 Furniture and Fixtures	-	600	440	390	1,500	900	150.0%
790 .25 Machinery & Equipment	1,017	10,650	12,880	12,876	17,200	6,550	61.5%
790 .26 Computers, Printers & Copiers	2,588	11,100	13,010	13,008	22,500	11,400	102.7%
790 .35 Software	636	650	3,170	3,161	2,500	1,850	284.6%
Minor Capital Outlay	4,241	23,000	29,500	29,435	43,700	20,700	90.0%

KETCHIKAN PUBLIC UTILITIES
2023 Operating and Capital Budget
Sales, Marketing and Customer Service

Operations 5110

Operating Expenditures	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Interdepartmental Charges							
825 .01 Interdepartmental Charges-Insurance	34,519	34,430	34,610	34,610	42,600	8,170	23.7%
Interdepartmental Charges	34,519	34,430	34,610	34,610	42,600	8,170	23.7%
Total Expenditures by Type	2,859,255	3,147,742	3,147,742	2,993,746	3,322,910	175,168	5.6%

NARRATIVE

500.01 Regular Salaries and Wages: \$1,356,960 – 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, and regularly scheduled overtime due to mall hours, and Saturday hours worked by employees whose hire dates predated 2009.

502.01 Temporary Wages: \$10,000 – 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: \$106,990 – This account provides expenditures for employer contributions for Social Security and Medicare and other similar payroll related taxes.

506.00 Pension: \$274,920 – This account provides expenditures for employer contributions to retirement plans.

507.00 Health and Life Insurance: \$490,530 – This account provides expenditures for employer contributions to employee health and life insurance plans.

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

508.00 Other Benefits: \$30,890 – 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: \$27,500 - 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. 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.

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

KETCHIKAN PUBLIC UTILITIES

2023 Operating and Capital Budget

Sales, Marketing and Customer Service

Operations 5110

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.

510.07 Food & Catering : \$1,500 – This account provides for the room fee and catering for the upcoming NTCA Board meeting.

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: \$3,900 - 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: \$67,000 - This account provides expenditures for bulk mailing of monthly bills and invoices for City and KPU services, brochures, mass public notices and other similar types of mailings.

525.04 Vehicle Motor Fuel and Lubricants: \$650 - 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: \$3,000 - This account provides expenditures for direct purchases of or reimbursements to employees for work related clothing required by department policies. Included are nameplates, name badges, KPU logowear for staff. Also includes logo embroidery for other items such as hats, aprons, etc.

600.01 Travel - Business: \$11,000 – This account provides expenditures for transportation, lodging, meals, per diems and other incidental expenses associated with travel for business, trade and board meetings.

600.02 Travel - Training: \$4,000 – This account provides expenditures for transportation, lodging, meals, per diems, and other incidental expenses associated with travel for Media training, including FAA Certification for drone.

600.03 Training and Education: \$14,200 – 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. This also includes online Cisco Training.

605.01 Ads and Public Announcements: \$1,800 - This account provides expenditures for advertising and announcements in publications, newspapers, trade journals and the Internet for recruitment.

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

605.03 Printing and Binding: \$15,000 – This account provides expenditures for printing and binding services. Included are designing and printing of forms, posters, flyers, user manuals and channel guides for distribution in the Sales, Marketing and Customer Service Division.

KETCHIKAN PUBLIC UTILITIES

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Sales, Marketing and Customer Service

Operations 5110

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: \$60 – This account provides expenditures for license fees for KPU vehicles.

630.03 Bank and Merchant Charges: \$230,000 – 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: \$8,000 - 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 \$2,400 - This account provides expenditures for pest control spray and COVID-19 spray.

635.07 Machinery and Equipment Maintenance Services: \$3,000 - 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: \$39,260 - 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, Computer HQ, Nixle Alert, social media archive storage, Google storage, Advanced Communications panic alarm, CASTUS Web services, and Channel Electric. Included for 2023 is a complete redesign of the KPU customer website.

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

640.04 Management and Consulting Services: \$131,000 - 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: \$110,000 - 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.

650.01 Telecommunications: \$41,000 - This account provides expenditures for telecommunication services. Included are charges for wired and wireless telecommunications services, Internet, long distance and toll-free numbers, security cameras

650.02 Electric, Water, Sewer & Solid Waste: \$7,500 - This account provides expenditures for electric, water, sewer and solid waste utility services.

790.15 Furniture & Fixtures: \$1,500 - This account provides expenditures for acquisition of furniture and fixtures. This is specifically for shelving in storage and the construction of a wall/door.

790.25 Machinery & Equipment: \$17,200 - This account provides expenditures for the acquisition, repair and replacement of filming equipment, as well as cell phones. This is specifically for replacement Sony cameras, batteries, storage memories, replacement microphones. Dollars include trade-in credits. Also included are four replacement cell phones/tablets.

KETCHIKAN PUBLIC UTILITIES

2023 Operating and Capital Budget

Sales, Marketing and Customer Service

Operations 5110

790.26 Computers, Printers & Copiers: \$22,500 - This account provides expenditures for the acquisition of desktop, laptops, and computers, copiers and fax machines.

790.35 Software: \$2,500 - This account provides expenditures for acquisition of software systems and upgrades not covered by maintenance agreements. This includes the annual fee for streaming software and editing software.

825.01 Interdepartmental Charges-Insurance: \$42,600 - This account provides expenditures for the cost for risk management services.

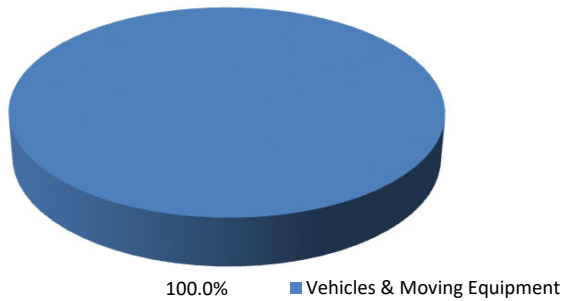
KETCHIKAN PUBLIC UTILITIES
2023 Operating and Capital Budget
Sales, Marketing and Customer Service

Capital Budget

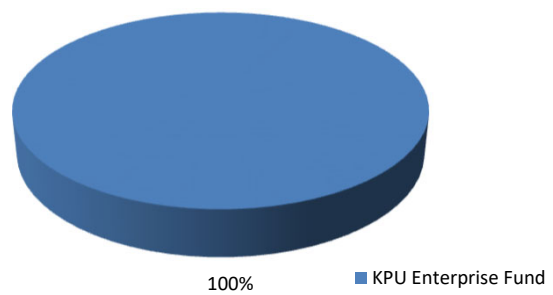
Major Capital Outlay	2021 Actual	2022 Budget			2023 Budget	2022 Adopted/2023	
		Adopted	Amended	Estimate		Incr(Decr)	%
720.00 Vehicles and Moving Equipment	-	-	-	-	65,635	65,635	New
Total Major Capital Outlay	-	-	-	-	65,635	65,635	New

Capital Improvement Projects		Funding Sources			
Project #	Project	KPU Enterprise Fund	Grants	Bonds	Total
720.00	Vehicles and Moving Equipment Vehicle Acquisition	65,635	-	-	65,635
	Total Vehicles and Moving Equipment	65,635	-	-	65,635
	Total Capital Budget	65,635	-	-	65,635

Expenditures by Type



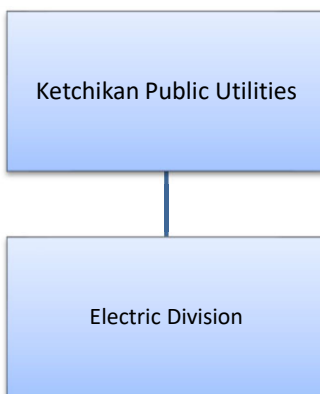
Expenditures by Funding Source



KETCHIKAN PUBLIC UTILITIES
2023 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	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operations	17,805,440	19,586,464	19,504,035	18,517,000	21,740,540	2,154,076	11.0%
Capital Improvement Program	1,541,115	4,301,150	4,372,316	1,210,000	5,903,150	1,602,000	37.2%
Total	19,346,555	23,887,614	23,876,351	19,727,000	27,643,690	3,756,076	15.7%

Expenditures by Category	2021	2022 Budget					
	Actual	Adopted	Amended	Estimate			
Personnel Services and Benefits	5,670,334	6,935,321	6,935,321	6,462,250	8,247,165	1,311,844	18.9%
Supplies	7,378,488	8,149,000	8,149,000	8,019,400	8,453,500	304,500	3.7%
Contract/Purchased Services	1,187,761	1,525,844	1,456,905	1,153,866	1,960,200	434,356	28.5%
Minor Capital Outlay	2,957	32,500	41,334	22,834	41,450	8,950	27.5%
Interdepartmental Charges	1,265,288	1,407,950	1,414,565	1,351,740	1,612,500	204,550	14.5%
Debt Service	1,918,619	1,124,917	1,124,917	1,124,917	1,043,725	(81,192)	-7.2%
Payment in Lieu of Taxes	381,993	410,932	381,993	381,993	382,000	(28,932)	-7.0%
Major Capital Outlay	1,541,115	4,301,150	4,372,316	1,210,000	5,903,150	1,602,000	37.2%
Total	19,346,555	23,887,614	23,876,351	19,727,000	27,643,690	3,756,076	15.7%

Funding Source	2021	2022 Budget					
	Actual	Adopted	Amended	Estimate			
KPU Enterprise Fund	19,346,555	23,887,614	23,876,351	19,727,000	27,643,690	3,756,076	15.7%
Total	19,346,555	23,887,614	23,876,351	19,727,000	27,643,690	3,756,076	15.7%

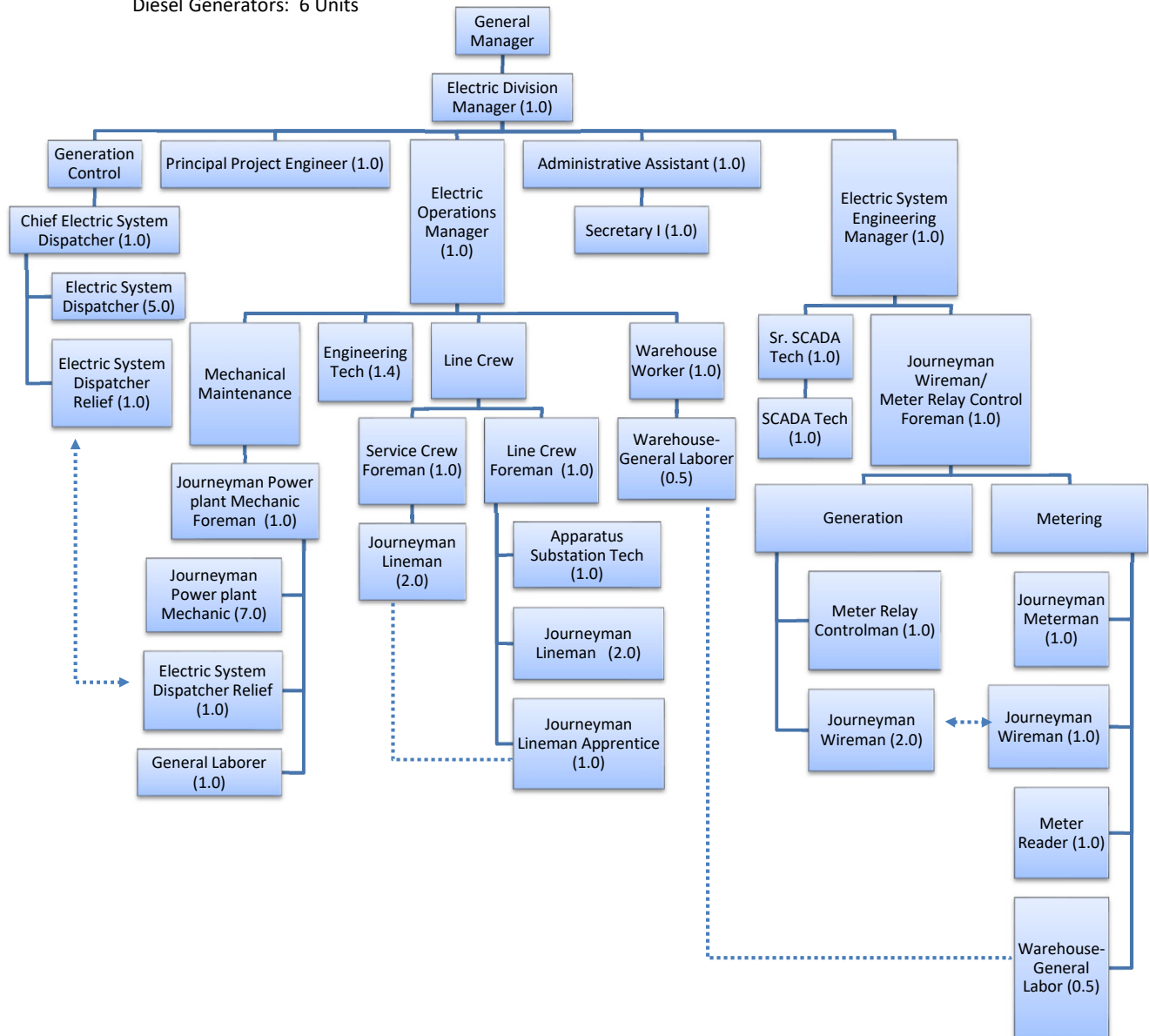
Full-time Equivalent Personnel	2021	2022 Budget		2023		2022 Adopted/2023	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
Operations	41.40	43.40	43.40	43.40	5,009,682	-	0.0%
Total	41.40	43.40	43.40	43.40	5,009,682	-	0.0%

MISSION STATEMENT

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

2022 Electric Division Statistics

Metered Customer Base Count:	7,621	Substations/Switchyards:	12
Poles (less SEAPA owned):	4,022	Fuses:	2,208
Transformers:	1,924	Street Lights:	1,816
Switches/Isolation	789		
Distribution Line:	101.2 miles	Secondary Radial Line:	125.7 miles
Transmission Line:	29.42 miles		
Hydro Generators:	9 Units/3 Licensed Projects	Regulatory Compliance:	FERC; EPA; DEC; USCG OSHA; NESC; NEC
Diesel Generators:	6 Units		



GOALS FOR 2023

- **Safety and Environmental:**
 - Review and revise as necessary division safety policies and practices;
 - Begin process for renewal of the Ketchikan Lakes Project FERC License;
 - 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;
 - Update public communications protocol for contacting Bailey Powerhouse;
 - 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;
 - Evaluate system efficiency upgrades and peaking capacity;
 - Update the preventative maintenance management system.
 - Expand the hydroelectric asset testing and evaluation program to improve system reliability; and
 - Evaluate equipment and facilities to develop a comprehensive long-term capital improvement program.
- **Transmission and Distribution Facilities:**
 - Continue replacement of aging overhead and underground equipment and apparatus;
 - Continue ongoing 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:**
 - Continue assisting the General Manager's Office with the recruitment for an Electric Division Manager, vacant since January 4, 2022 with the pending retirement of Electric Division Manager Andy Donato, retirement effective May 4, 2022.
 - Recruit, hire and train as necessary the following unfilled positions vacated through retirements or vacancies: Division Manager (1.0), System Dispatcher (2.0), System Dispatcher - Relief (1.0), Journeyman Lineman (1.0), Journeyman Wireman/Electrician (2.0), Journeyman Power Plant Mechanic (2.0);
 - Develop a utility succession plan and recruit for critical positions anticipated to be vacated in 2023 through retirements;
 - Reorganize the Electric Division to meet current and future utility needs; this reorganization would add personnel in facilities maintenance, vehicle maintenance, line crew, and engineering services; and
 - Develop a comprehensive training program for staff; training has been neglected for many years and developing a training plan is critical for the division.

ACCOMPLISHMENTS FOR 2022

KPU Electric continues maintaining essential generation and transmission services despite being short staffed and underfunded. Throughout the year, the division has operated at less than eighty percent (80%) of authorized FTE and functioned with an effective capacity of sixty percent (60%) or less of the authorized FTE due to staff unavailability, scheduled vacations, and sick leave. The division continues to lose knowledge through attrition and recruiting efforts have been very difficult.

KPU Electric has effectively worked with Southeast Alaska Agency (SEAPA) to maintain efficient generation and water management. KPU Electric and system reservoirs have been maximized to ensure adequate generation throughout the year.

KPU Electric continued expansion of services in the community. KPU Electric staff have collectively pulled together to continue to provide solutions, working to provide electric service around the clock while under staffed.

Finally, KPU Electric is working to develop a strategic plan, comprehensive long-term Capital Improvement Plan (CIP), succession plan, utility training program, reorganize the division to meet current and future needs, and create new financial mechanisms to achieve a stable CIP and stable rates during system fluctuations.

KETCHIKAN PUBLIC UTILITIES
2023 Operating and Capital Budget
Electric Division

Operations 5200

With direction from the City Council, worked with the General Manager's office and outside legal counsel to advance a Power Sales Agreement between KPU and Metlakatla Power and Light (MP&L) for MP&L's needs in pursuing grant funding for a subsea electrical connection with KPU and enhanced broadband service for the community of Metlakatla.

Electric System Engineering Manager Jeremy Bynum was appointed to serve as the Acting Electric Division Manager for the duration of recruitment for a new Manager, effective January 4, 2022.

- **Safety and Environmental:**
 - Worked with DEC to confirm authorized disposal methods of oil containing PCBs of less than 2PPM;
 - Updated Dam Safety Program; and
 - Conducted an oil spill response with the USCG (table top SPCC drill).
- **Customer Service:**
 - Installed over 100 new electrical services; and
 - AMI/AMR implementation is above 75% implemented.
- **Generation:**
 - Completed Ketchikan Generator No. 4 generator rehabilitation;
 - Completed the Supervisory Control and Data Acquisition (SCADA) upgrade; and
 - Completed the Silvis Station Service transformer replacement.
- **Transmission and Distribution Facilities:**
 - Performed an emergency bypass of the Port West Substation due to a transformer failure;
 - Rebuilt overhead primary circuit in the Beachwood/Alderwood neighborhood, including the replacement of four (4) primary utility poles;
 - Replaced ten percent of utility poles in the Alaska Avenue neighborhood;
 - Replaced two hundred plus (200+) aging 35kV insulators on the Silvis and the Beaver Falls to Mountain Point 34.5kV circuits;
 - Installed Gravina Island airport submarine cable termination vault, in conjunction with ADOT's ferry layup expansion project; and
 - Completed in-house work, and work in support of ADOT contractor, for the Herring Cove Bridge replacement project.

DIVISION SUMMARY

Expenditures by Category	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	5,670,334	6,935,321	6,935,321	6,462,250	8,247,165	1,311,844	18.9%
Supplies	7,378,488	8,149,000	8,149,000	8,019,400	8,453,500	304,500	3.7%
Contract/Purchased Services	1,187,761	1,525,844	1,456,905	1,153,866	1,960,200	434,356	28.5%
Minor Capital Outlay	2,957	32,500	41,334	22,834	41,450	8,950	27.5%
Interdepartmental Charges	1,265,288	1,407,950	1,414,565	1,351,740	1,612,500	204,550	14.5%
Debt Service	1,918,619	1,124,917	1,124,917	1,124,917	1,043,725	(81,192)	-7.2%
Payment in Lieu of Taxes	381,993	410,932	381,993	381,993	382,000	(28,932)	-7.0%
Total Expenditures	17,805,440	19,586,464	19,504,035	18,517,000	21,740,540	2,154,076	11.0%

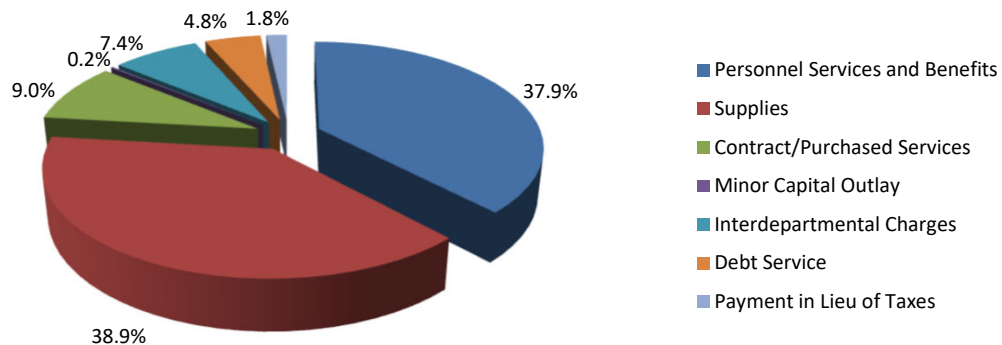
Funding Source	2021	2022 Budget					
	Actual	Adopted	Amended	Estimate			
KPU Enterprise Fund	17,805,440	19,586,464	19,504,035	18,517,000	21,740,540	2,154,076	11.0%
Total Funding	17,805,440	19,586,464	19,504,035	18,517,000	21,740,540	2,154,076	11.0%

KETCHIKAN PUBLIC UTILITIES
2023 Operating and Capital Budget
Electric Division

Operations 5200

Full-time Equivalent Personnel	2021	2022 Budget		2023		2022 Adopted/2023	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
Division Manager	1.00	1.00	1.00	1.00	189,543	-	0.0%
Principal Project Engineer	1.00	1.00	1.00	1.00	137,499	-	0.0%
Operations Manager	1.00	1.00	1.00	1.00	140,935	-	0.0%
Electric System Engineering Manager	1.00	1.00	1.00	1.00	140,935	-	0.0%
Administrative Assistant	1.00	1.00	1.00	1.00	63,898	-	0.0%
Secretary I	1.00	1.00	1.00	1.00	49,920	-	0.0%
GENERATION CONTROL							
Chief System Dispatcher	1.00	1.00	1.00	1.00	122,620	-	0.0%
System Dispatcher	3.00	5.00	5.00	5.00	535,540	-	0.0%
System Dispatcher-Relief	1.00	1.00	1.00	1.00	107,108	-	0.0%
SCADA							
Senior SCADA Technician	-	1.00	1.00	1.00	93,038	-	0.0%
SCADA Technician	2.00	1.00	1.00	1.00	88,608	-	0.0%
LINE CREWS							
Line Crew Foreman	1.00	1.00	1.00	1.00	169,377	-	0.0%
Service Crew Foreman	1.00	1.00	1.00	1.00	169,377	-	0.0%
Apparatus Substation Tech	1.00	1.00	1.00	1.00	160,308	-	0.0%
Lineman	4.00	4.00	4.00	4.00	617,104	-	0.0%
Lineman Apprentice	1.00	1.00	1.00	1.00	134,805	-	0.0%
ELECTRICIANS							
Wireman/Meter Relay Control Foreman	1.00	1.00	1.00	1.00	138,300	-	0.0%
Meterman	1.00	1.00	1.00	1.00	124,738	-	0.0%
Wireman/Electrician	3.00	3.00	3.00	3.00	374,214	-	0.0%
Meter Relay Controlman	1.00	1.00	1.00	1.00	124,738	-	0.0%
Meter Reader	1.00	1.00	1.00	1.00	57,616	-	0.0%
Warehouse-Relief Meter Reader	0.50	0.50	0.50	0.50	35,443	-	0.0%
MECHANICAL MAINTENANCE							
Powerplant Mechanic Foreman	1.00	1.00	1.00	1.00	119,870	-	0.0%
Powerplant Mechanic	7.00	7.00	7.00	7.00	745,906	-	0.0%
Powerplant Mechanic-Relief	1.00	1.00	1.00	1.00	106,558	-	0.0%
OTHER							
Warehouse Worker	1.00	1.00	1.00	1.00	79,768	-	0.0%
Warehouse/General Laborer	0.50	0.50	0.50	0.50	35,443	-	0.0%
Engineering Tech-CADD & GIS	1.40	1.40	1.40	1.40	102,169	-	0.0%
General Laborer	1.00	1.00	1.00	1.00	44,304	-	0.0%
Total	41.40	43.40	43.40	43.40	5,009,682	-	0.0%

2023 Expenditures by Type



OPERATING BUDGET CHANGES FOR 2023

Changes between the adopted operating budget for 2022 and the proposed operating budget for 2023 that are greater than 5% and \$5,000 are discussed below.

- Personnel Services and Benefits increased by \$1,311,844, or by 18.9%, to reflect the negotiated contract for International Brotherhood of Electrical Workers Local 1547 (IBEW) represented staff; as a result of annual employee step increases for employees in graded positions; a 2.5% cost of living adjustment for non-represented employees that will become effective January 1, 2023; and projected increases in pension, health insurance and other benefits costs.
- Infrastructure & Plant Maintenance (Account No.515.05) increased by \$49,000, or by 9.9%, due to the increased cost of materials.
- Freight-Materials & Supplies (Account No. 520.04) increased by \$10,000, or by 25%, due to increased shipping costs.
- Travel-Training (Account No. 600.02) increased by \$22,000, or by 100%, in anticipation of increased travel and training expenses associated with the Electric Division's hiring and training needs.
- Travel-Training and Education (Account No. 600.03) increased by \$25,000, or by 100%, in anticipation of training and education expenses associated with the division's operations.
- Grant Awards (Account No. 610.02) increased by \$22,356, or by 34.0%, due to the Electric Division's share of the City's Community Grant Program.
- Assn. Membership Dues & Fees (Account No. 615.02) increased by \$10,000, or by 66.7%, to add memberships with National Hydropower Association and Alaska Power Association. These are important advocacy and informational partners for the electric utility.
- Technical Services (Account No. 635.12) increased by \$300,000, or 62.5%, to make recovery efforts in 2023 after falling behind with contracted tree services in 2020, 2021 and 2022.
- Rents & Leases-Lands & Building (Account No. 645.01) increased by \$50,000, or by 119%, due to the need for additional office space required by the division.
- Computers, Printers & Copiers (Account No. 790.26) increased by 8,950, or by 44.8%, due to the replacement schedule and recommendations developed by the Information Technology Department.
- Interdepartmental Charges increased by \$204,350, or by 14.5%, primarily due to increased insurance premiums and increased costs associated with the services provided by City departments to the Electric Division.

KETCHIKAN PUBLIC UTILITIES
2023 Operating and Capital Budget
Electric Division

Operations 5200

DIVISION OPERATING BUDGET DETAIL							
Operating Expenditures	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits							
500 .01 Regular Salaries and Wages	3,443,187	4,102,045	3,957,045	3,786,170	5,009,695	907,650	22.1%
501 .01 Overtime Wages	396,164	300,000	445,000	445,000	445,000	145,000	48.3%
502 .01 Temporary Wages	24,048	70,000	70,000	36,120	70,000	-	0.0%
505 .00 Payroll Taxes	292,159	342,114	342,114	327,400	422,640	80,526	23.5%
506 .00 Pension	562,136	702,516	746,716	746,700	715,450	12,934	1.8%
507 .00 Health and Life Insurance	863,963	1,115,228	1,071,028	891,410	1,176,080	60,852	5.5%
507 .30 Workers Compensation	102,595	108,002	108,002	96,190	114,730	6,728	6.2%
508 .00 Other Benefits	(35,578)	111,116	111,116	111,110	209,270	98,154	88.3%
509 .04 Allowances-KPU Clothing	6,510	8,800	8,800	7,000	8,800	-	0.0%
509 .07 Allowances-Moving Expense	15,000	75,000	75,000	15,000	75,000	-	0.0%
509 .08 Allowances-Medical Expenses	150	500	500	150	500	-	0.0%
Personnel Services and Benefits	5,670,334	6,935,321	6,935,321	6,462,250	8,247,165	1,311,844	18.9%
Supplies							
510 .01 Office Supplies	8,917	15,000	16,500	16,500	16,500	1,500	10.0%
510 .02 Operating Supplies	9,723	10,000	8,500	6,000	10,000	-	0.0%
510 .03 Safety Program Supplies	24,465	25,000	25,000	25,000	25,000	-	0.0%
510 .04 Janitorial Supplies	148	1,000	1,000	1,000	1,000	-	0.0%
510 .05 Small Tools & Equipment	36,592	35,000	39,000	39,000	39,000	4,000	11.4%
515 .01 Vehicle Maintenance Materials	78,829	80,000	76,000	50,000	80,000	-	0.0%
515 .02 Building & Grounds Maint Materials	16,825	10,000	10,000	10,000	10,000	-	0.0%
515 .03 Furniture & Fixtures Maint Materials	-	500	500	100	500	-	0.0%
515 .04 Machinery & Equip Maint Materials	10,639	60,000	56,000	20,000	60,000	-	0.0%
515 .05 Infrastructure & Plant Maint Materials	430,825	496,000	500,000	500,000	545,000	49,000	9.9%
520 .02 Postage	759	1,500	1,500	1,000	1,500	-	0.0%
520 .04 Freight-Materials & Supplies	24,657	40,000	46,000	46,000	50,000	10,000	25.0%
525 .01 Generation Diesel Fuel	259,025	350,000	350,000	350,000	350,000	-	0.0%
525 .02 Generation Oil Lubricants	49,917	97,000	87,000	30,000	97,000	-	0.0%
525 .03 Heating Fuel	3,893	5,000	9,000	9,000	9,000	4,000	80.0%
525 .04 Vehicle Motor Fuel & Lubricants	39,848	50,000	50,000	50,000	50,000	-	0.0%
525 .05 Purchased Power	5,668,902	6,646,000	6,646,000	6,646,000	6,882,000	236,000	3.6%
525 .07 Machinery & Equip Fuel & Lubricants	220	3,000	3,000	1,500	3,000	-	0.0%
525 .10 Whitman Lake - SEAPA True-up	708,381	212,000	212,000	212,000	212,000	-	0.0%
530 .02 Periodicals	483	1,500	1,500	1,000	1,500	-	0.0%
530 .03 Professional & Technical Publications	142	1,500	1,500	500	1,500	-	0.0%
535 .02 Business and Meal Expenses	1,513	3,000	3,000	1,800	3,000	-	0.0%
535 .05 Special Protective Clothing	3,785	6,000	6,000	3,000	6,000	-	0.0%
Supplies	7,378,488	8,149,000	8,149,000	8,019,400	8,453,500	304,500	3.7%

KETCHIKAN PUBLIC UTILITIES
2023 Operating and Capital Budget
Electric Division

Operations 5200

Operating Expenditures	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Contract/Purchased Services							
600 .01 Travel-Business	2,458	25,000	25,000	25,000	25,000	-	0.0%
600 .02 Travel-Training	6,589	22,000	22,000	5,000	44,000	22,000	100.0%
600 .03 Travel-Training and Education	25,195	25,000	25,000	25,000	50,000	25,000	100.0%
605 .01 Ads & Public Announcements	21,388	25,000	25,000	20,000	25,000	-	0.0%
610 .02 Grant Awards	65,845	65,844	77,366	77,366	88,200	22,356	34.0%
615 .01 Professional and Technical Licenses	200	2,500	2,500	1,200	2,500	-	0.0%
615 .02 Assn. Membership Dues & Fees	12,776	15,000	15,000	15,000	25,000	10,000	66.7%
630 .01 Building & Operating Permits	105,808	125,000	125,000	125,000	125,000	-	0.0%
630 .02 Vehicle Licenses	394	1,500	1,500	300	1,500	-	0.0%
635 .02 Janitorial and Cleaning Services	10,246	15,000	15,000	9,000	15,000	-	0.0%
635 .03 Vehicle Maintenance Services	6,239	5,000	5,000	1,000	5,000	-	0.0%
635 .04 Software Maintenance Services	78,049	100,000	100,000	100,000	100,000	-	0.0%
635 .06 Bldg & Grounds Maintenance Services	5,731	7,000	7,000	1,000	7,000	-	0.0%
635 .08 Infrastructure Maintenance Services	26,588	40,000	40,000	15,000	40,000	-	0.0%
635 .09 Disposal Services	-	15,000	15,000	15,000	15,000	-	0.0%
635 .12 Technical Services	435,303	480,000	398,000	300,000	780,000	300,000	62.5%
635 .14 Other Contractual Services	18,033	23,000	23,000	23,000	23,000	-	0.0%
640 .02 Engineering & Architectural Services	8,700	100,000	100,000	50,000	100,000	-	0.0%
640 .04 Management & Consulting Services	81,035	125,000	124,539	50,000	125,000	-	0.0%
645 .01 Rents & Leases-Land & Buildings	29,972	42,000	44,000	44,000	92,000	50,000	119.0%
645 .02 Rents & Leases-Machinery & Equip	13,403	30,000	30,000	15,000	30,000	-	0.0%
650 .01 Telecommunications	183,129	187,000	187,000	187,000	192,000	5,000	2.7%
650 .02 Electric, Water, Sewer & Solid Waste	50,680	50,000	50,000	50,000	50,000	-	0.0%
Contract/Purchased Services	1,187,761	1,525,844	1,456,905	1,153,866	1,960,200	434,356	28.5%
Minor Capital Outlay							
790 .15 Furniture and Fixtures	-	5,000	5,000	1,500	5,000	-	0.0%
790 .20 Vehicles & Moving Equipment	-	-	8,834	8,834	-	-	NA
790 .26 Computers, Printers, and Copiers	1,708	20,000	20,000	10,000	28,950	8,950	44.8%
790 .35 Software	1,249	7,500	7,500	2,500	7,500	-	0.0%
Minor Capital Outlay	2,957	32,500	41,334	22,834	41,450	8,950	27.5%
Interdepartmental Charges							
800 .00 Interdept'l-Administrative	193,395	216,300	222,915	224,540	250,620	34,320	15.9%
801 .01 Interdept'l-Human Resources	82,905	96,280	96,280	91,110	111,060	14,780	15.4%
802 .00 Interdept'l-Finance	448,918	508,830	508,830	489,440	559,780	50,950	10.0%
803 .01 Interdept'l-Information Tech	201,839	227,590	227,590	203,290	310,500	82,910	36.4%
825 .01 Interdept'l-Insurance	338,231	358,950	358,950	343,360	380,540	21,590	6.0%
Interdepartmental Charges	1,265,288	1,407,950	1,414,565	1,351,740	1,612,500	204,550	14.5%
Debt Service							
931 .01 Debt Service-Principal	795,000	945,000	945,000	945,000	890,000	(55,000)	-5.8%
932 .01 Debt Service-Interest	1,123,619	179,917	179,917	179,917	153,725	(26,192)	-14.6%
Debt Service	1,918,619	1,124,917	1,124,917	1,124,917	1,043,725	(81,192)	-7.2%
Other Costs							
975 .00 Payment in Lieu of Taxes	381,993	410,932	381,993	381,993	382,000	(28,932)	-7.0%
Other Costs	381,993	410,932	381,993	381,993	382,000	(28,932)	-7.0%
Total Expenditures by Type	17,805,440	19,586,464	19,504,035	18,517,000	21,740,540	2,154,076	11.0%

NARRATIVE

500.01 Regular Salaries and Wages: \$5,009,695 - This account provides expenditures for compensation paid to all regular salaried and hourly employees of the Electric Division.

501.01 Overtime Wages: \$445,000 - 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: \$422,640 – This account provides expenditures for employer contributions for Social Security and Medicare and other similar payroll related taxes.

506.00 Pension: \$715,450 – This account provides expenditures for employer contributions to retirement plans.

507.00 Health and Life Insurance: \$1,176,080 – This account provides expenditures for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation \$114,730 – This account provides expenditures for employer contributions for workers compensation.

508.00 Other Benefits: \$209,270 – 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: \$16,500 - This account provides expenditures for paper, pens, pencils, adding machine ribbons and tape, note pads, file folders, scotch tape, toner, ink cartridges, photocopy charges, small desk accessories and minor office equipment such as adding machines, staplers, comb binding machines and tape dispensers.

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

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

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

510.05 Small Tools and Equipment: \$39,000 - 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.

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: \$545,000 – 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: \$50,000 - 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: \$9,000 - 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: \$6,882,000 - This account provides expenditures for electric energy purchased from SEAPA for resale by Ketchikan Public Utilities. A wholesale power rate increase of 3.5%, or \$0.0025 per kWh, as planned by SEAPA has been included.

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: \$44,000 - This account provides expenditures for transportation, lodging, meals, per diems and other incidental expenses associated with travel for training.

600.03 Training and Education: \$50,000 – This account provides expenditures for registration fees, training fees, training materials, tuition reimbursements and other incidental expenses associated with training and educating employees.

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

610.02 Grant Awards: \$88,200 - 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: \$25,000 – 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: \$780,000 - 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: \$92,000 - This account provides expenditures for the rent and lease of land and buildings for storage yards, covered storage facilities, and additional office space, exact cost to be determined.

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: \$192,000 - 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 \$28,950 - 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 six new desktop computer workstations, nine monitors, one laptop, three printers, and several UPC battery backups for staff per the computer replacement schedule developed by the Information Technology Department.

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: \$250,620 - This account provides expenditures for administrative and management services provided by the departments of the City Council, City Clerk, City Attorney and the administrative office of the City Manager.

801.01 Interdepartmental Charges – Human Resources: \$111,060 - This account provides expenditures for human resource services provided by the Human Resources Division.

802.00 Interdepartmental Charges - Finance: \$559,780 - 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: \$310,500 - This account provides expenditures for information technology services provided by the Information Technology Department.

825-01 Interdepartmental Charges – Insurance: \$380,540 - This account provides expenditures for risk management services and claims.

931.01 Debt Service-Principal: \$890,000 - This account provides expenditures for principal on revenue bonds.

932.01 Debt Service-Interest: \$153,725 - This account provides expenditures for interest on revenue bonds.

975.00 Payment in Lieu of Taxes: \$382,000 - This account provides expenditures for payments in lieu of taxes assessed against the enterprise funds of the City.

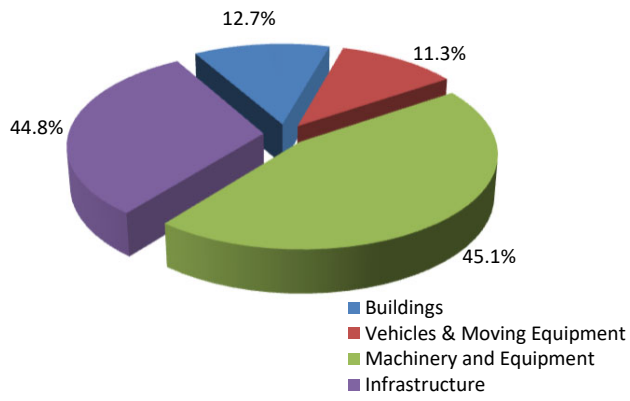
KETCHIKAN PUBLIC UTILITIES
2023 Operating and Capital Budget
Electric Division

Capital Budget

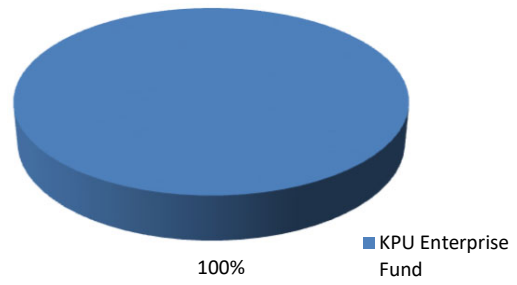
Major Capital Outlay	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
705.00 Buildings	142,561	750,000	750,000	-	750,000	-	0.0%
720.00 Vehicles and Moving Equipment	-	175,000	175,000	175,000	665,000	490,000	New
725.00 Machinery and Equipment	1,141,309	2,062,150	2,142,150	530,000	2,663,150	601,000	29.1%
730.00 Infrastructure	257,245	1,314,000	1,305,166	505,000	1,825,000	511,000	38.9%
Total Major Capital Outlay	1,541,115	4,301,150	4,372,316	1,210,000	5,903,150	1,602,000	37.2%

Capital Improvement Projects		Funding Sources			
Project #	Project	KPU	Grants	Bonds	Total
		Enterprise Fund			
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	665,000	-	-	665,000
	Total Vehicles and Moving Equipment	665,000	-	-	665,000
725.00 Machinery and Equipment					
	Ketchikan Tunnel Penstock Valves Replacement	50,000	-	-	50,000
	Bailey Generator No. 4 Wartsila PLC Upgrade	115,000	-	-	115,000
	Generator Equipment Planning, Cleaning & Testing	50,000	-	-	50,000
	Whitman Tailrace Modification	200,000	-	-	200,000
	Bailey Exhaust Stack Re-coating	55,000	-	-	55,000
	Bailey Generator Radiator Replacement	40,000	-	-	40,000
	Beaver Falls Switch Gear Replacement	1,372,150	-	-	1,372,150
	Whitman Incubation Pipe Flow Meter	50,000	-	-	50,000
	Feeder Protective Relay Upgrade	50,000	-	-	50,000
	Battery Systems & Chargers	76,000	-	-	76,000
	Transformer Purchases	100,000	-	-	100,000
	AMI, Meters and Meter Replacement Parts	200,000	-	-	200,000
	System Sectionalizers	100,000	-	-	100,000
	Vehicle Lift Replacement	80,000	-	-	80,000
	Digital Radio Replacement	125,000	-	-	125,000
	Total Machinery and Equipment	2,663,150	-	-	2,663,150
730.00 Infrastructure					
	Beaver Falls Relicensing	30,000	-	-	30,000
	Diesel Generation Modernization	60,000	-	-	60,000
	Whitman Dam Crack Repair	30,000	-	-	30,000
	Ketchikan Lakes Utilities	195,000	-	-	195,000
	Ketchikan International Aripport & Pennock Island Upgrade	360,000	-	-	360,000
	Transmission & Distribution Line Maintenance	400,000	-	-	400,000
	Port West Substation Reconfiguration & Site Modification	100,000	-	-	100,000
	Bailey Mooring Dolphin & Replacement	110,000	-	-	110,000
	Operation Equipment	276,000	-	-	276,000
	Additional Projects	164,000	-	-	164,000
	Reimbursable Projects	25,000	-	-	25,000
	Silvis Road Repair	75,000	-	-	75,000
	Total Infrastructure	1,825,000	-	-	1,825,000
	Total Capital Budget	5,903,150	-	-	5,903,150

Expenditures by Type



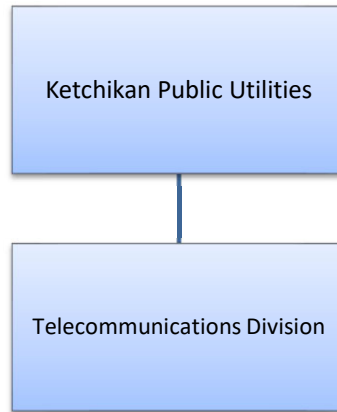
Expenditures by Funding Source



KETCHIKAN PUBLIC UTILITIES
2023 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	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operations	14,826,338	15,731,277	16,054,623	15,815,718	17,354,349	1,623,072	10.3%
Capital Improvement Program	746,847	1,431,866	2,265,656	1,306,890	4,558,500	3,126,634	218.4%
Total	15,573,185	17,163,143	18,320,279	17,122,608	21,912,849	4,749,706	27.7%

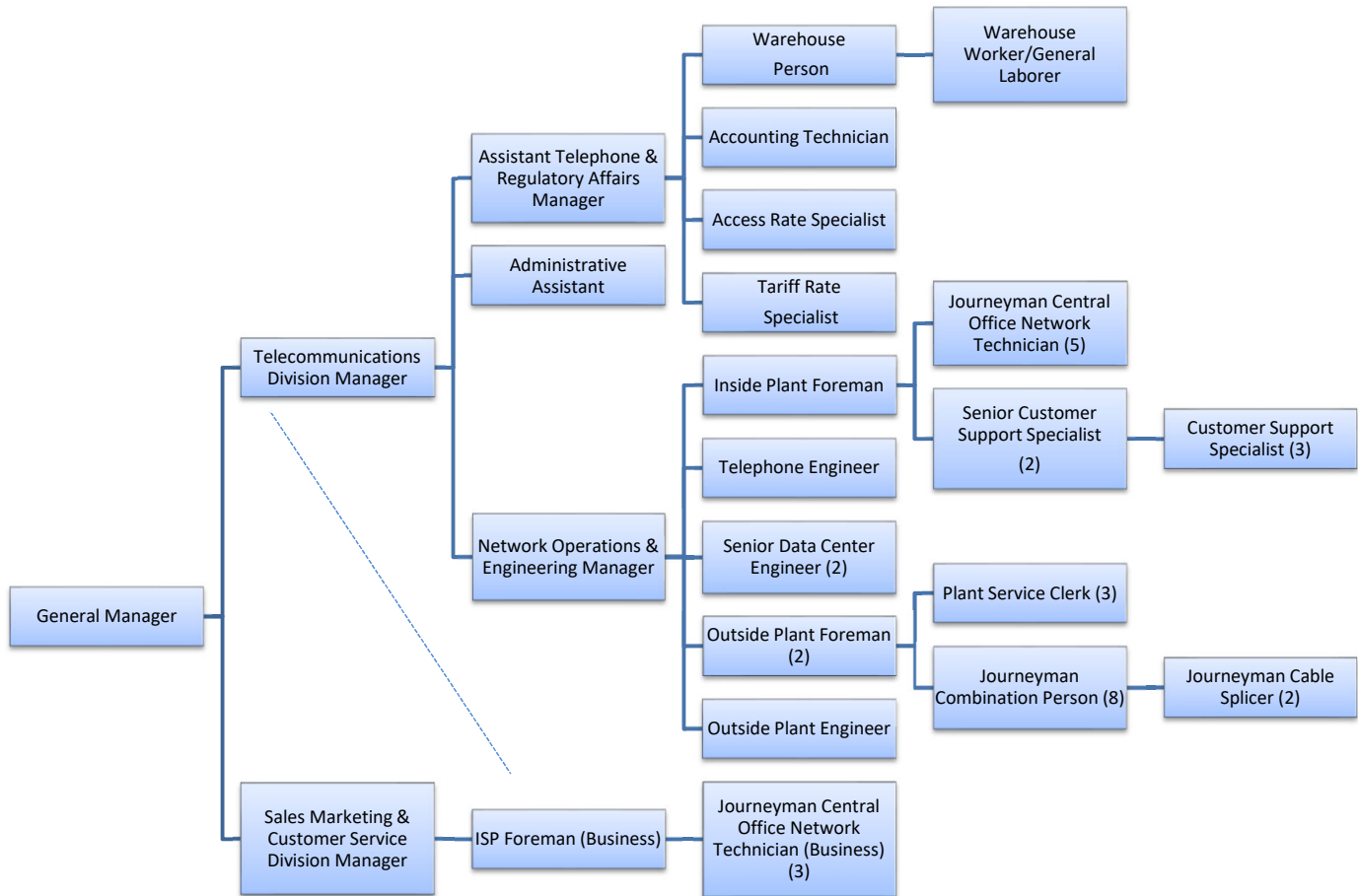
Expenditures by Category	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	5,575,277	5,966,181	6,222,970	6,214,677	7,053,289	1,087,108	18.2%
Supplies	709,815	888,500	954,720	860,085	950,000	61,500	6.9%
Contract/Purchased Services	6,161,109	6,361,821	6,369,493	6,298,552	6,666,475	304,654	4.8%
Minor Capital Outlay	15,860	18,000	21,000	13,048	21,000	3,000	16.7%
Interdepartmental Charges	985,360	1,103,220	1,108,485	1,051,490	1,307,680	204,460	18.5%
Debt Service	1,172,559	1,171,509	1,171,509	1,171,509	1,149,505	(22,004)	-1.9%
Payment in Lieu of Taxes	206,358	222,046	206,446	206,358	206,400	(15,646)	-7.0%
Major Capital Outlay	746,847	1,431,866	2,265,656	1,306,890	4,558,500	3,126,634	218.4%
Total	15,573,185	17,163,143	18,320,279	17,122,608	21,912,849	4,749,706	27.7%

Funding Source	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	15,573,185	17,163,143	18,320,279	17,122,608	21,912,849	4,749,706	27.7%
Revenue Bond	-	-	-	-	-	-	NA
Total	15,573,185	17,163,143	18,320,279	17,122,608	21,912,849	4,749,706	27.7%

Full-time Equivalent Personnel	2021	2022 Budget		2023		2022 Adopted/2023	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
Operations	41.00	41.00	41.00	43.00	4,231,189	2.00	4.9%
Total	41.00	41.00	41.00	43.00	4,231,189	2.00	4.9%

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. The division strives 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 growth. 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 2023

The KPU Telecommunications (KPUTel) division's 2022 operating and capital budget goals are primarily divided between Revenue & Competitive Strategy, Efficiency & Quality of Service, and Ongoing Operations.

Revenue & Competitive Strategy:

2022 marked the ninth 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, which was closed in 2022; and construct a 4G/LTE wireless system in Ketchikan and Skagway.

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 sell wholesale capacity on the Subsea Fiber which, is a new opportunity to garner potentially significant revenues albeit hard to predict.

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.

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

KPU Tel has significantly improved its cyber-security protection over the last few years by purchasing a best in class IoT (Internet of Things) security solution that is deployed to detect threats withing IoT ecosystems that was approved by the City Council in 2019. The IoT solution applies advance machine learning profiling, and service-layer discovery to keep IoT networks and devices safe from cyber-attacks. This solution has subsequently been turned into a service so that other customers may increase their protection against cyber-attacks. There is a project in the 2023 budget to update and expand this security solution.

KPU Tel has programmed an increase of two full time equivalent employees in the 2023 budget. The division has been operating without a plant manager for over a year due to COVID mandated budget reductions. Over this period we have reorganized the outside plant operations to utilize two foremen in lieu of a Plant Manager. We are planning to keep this structure which would eliminate the Plant Manager position and create an additional OSP Foreman position. We are also adding a Combination Technician, which is necessary to catch up on deferred maintenance and keep our installation calendar in check. Additionally, there is a desparate need to add an additional Senior DataCenter Engineer. The datacenter is a growth area for the division with ever-increasing needs to keep internal systems up to date and support customer growth. KPU Tel has experienced an 81% growth in revenues in the datacenter since 2019 and simply must add this position to continue to operate. This position crosses over into the security realm as well due to the significant importance of cyber-security.

KPUTel is programming a \$5 per customer per month rate increase for elective/competitive Television services. This rate increase is necessary to keep pace with increasing content costs and equipment costs as well as overall inflationary pressures including labor.

Noteworthy investments in the 2022 Capital Budget include:

The COVID related minimal capital budgets in 2021 and 2022 caused the deferral of important projects and cannot be sustained without future service impacts. While this has created large budget surplus' for the division in 2021 and 2022, it came at the expense of causing the division to defer the significant investment nessesary to meet ongoing customer demand for reliable telecommunications services. The 2023 budget was prepared to begin to rectify some of impacts of deferring capital investment the last two years. Some of the major projects are as follows:

- Class 5 Voice Telephone Switch - to replace the manufacture-discontinued switch that has been deferred since 2021
- Buildings - repair leaking roof in truck barn and dilapidated siding
- DataCenter - refresh hardware and increase storage to accomodate customer needs and KPU TV content storage
- Vehicles - replace bucket truck that lost engine, and service delivery vehicles
- 4G-LTE - update radios and replace 9 year old batteries
- Security - update and expand cyber-security IOT solution

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 2023 operating budget represents an increase of \$1,286,616 over the 2022 amended budget. The 2023 operating budget increase is absolutely necessary in order to begin addressing the operational deficiencies in the division's budget and accomodate anticipated inflation for 2023. The proposed spending plan will accomplish the goals of filling gaps in present operational needs, while maintaining a high quality of service without risking ongoing operations.

ACCOMPLISHMENTS FOR 2022

Administration

- Assistant Telecommunications Division Manager Dan Lindgren was appointed to Telecommunications Division Manager effective October 7, 2022 following the retirement of Manager Ed Cushing on August 23, 2022.
- 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.
- Completed mid-term review of the Alaska Plan performance metrics.

- Applied for a Re-Connect 4 grant to provide fiber to the home to Pennock Island and Clam Cove.
- Participated and was the successful bidder in Federal Communications Commission Auction 108.
- Negotiated the requisite agreements and completed construction of the 4G/LTE cell site at Cranberry Road.
- Implemented new robocall mitigation plan that was an FCC requirement that will help to stem robocalls in Ketchikan.
- Filed comments in R-21-001 - Alaska Universal Service Fund (AUSF) sunset docket.
- Implemented the new FCC regulatory requirement for network performance testing.

4G LTE / Microwave

- Ward Cove cell site completed prior to commencement of the 2022 cruise season.
- Eichner cell site battery replacement.
- Cranberry Road cell site expected completion Q4 2022.
- Bear Valley cell site planning for completion Q1 2023.
- Realignment of Knudson cell site.
- Verizon directed Ericsson Radio software city wide software upgrade completed.

Facility

- 2x legacy Zhone malc switches remaining at K71.
- 1x legacy Pannaway switch remaining.
- Legacy Calix migration to Adtran complete.
- Beaver Falls AFC shelf migration complete.
- Mountain Point AFC shelf migration complete.
- Ward Cove rail car and Welcome center completed on time.
- New Sunset Drive Adtran shelf.
- Additional fiber capacity for growth at Tongass Towers and Knudson Cove.

Core

- New TP-Link managed WIFI solution.
- Connect America Fund (CAF) Performance Testing Quarterly.
- KPU Electric Division SCADA redesign expected completion Q4 2022.
- 8192 new ipv4 network addresses implementation completed.
- New CORE03 business distribution router.
- New MLX4e Ward Cove distribution router.
- ThousandEyes experience monitoring software implementation.

Voice

- Successful major 10Gbps hardware and software upgrades of Broadworks softswitch.
- Webex for Cisco Broadworks expected project completion Q4 2022.
- 411 directory service migration.
- thinQ VoIP long distance migration completed.
- 988 Suicide Prevention/10-Digit Dialing mandate completed on-time.
- ACME SBC Session Border Controller replacement evaluation completed.
- Oracle Communications Operations Monitor of ACME data software upgrade completed.

Video

- New C-Span receivers.
- New Showtime HD receiver.
- New Cowboy channel/receiver.
- 3x new receivers for Warner Media.
- New Tennis channel receiver.
- A&E, Lifetime and Lifetime Movie network migrations.
- 10 other receivers for 45 channels due to 5G realignment.
- 56 channels successfully migrated from Galaxy 15 satellite due to geomagnetic storm.

Systems and Datacenter

- 43 out of 77 systems migrated from CentOS to RedHat.
- Windows AD domain migration expected completion Q4 2022.
- 200+ systems security patches/reboots applied as of 9/1/2022.
- DNS re-architecture complete.
- 12 new virtual machines added.
- UCS rebuild expected completion Q1 2023.

Line Crew & Splicers

- Herring Cove DOT bridge project expected completion end of September 2022.
- Fiber audits for entire network expected completion Q1 2023.
- Wastewater SCADA migrated to Fiber.
- Woodside MDU project completed A-D.
- Harbormaster Condos MDU expected end of September 2022.
- Evergreen Condos MDU project complete.
- Sea Level Condos expected completion end of Q4 2022.

Install & Trouble Tickets To Date (8/29/22)

- 534 Service Orders
- 609 Trouble Tickets
- 136 Fiber Drops

Hosted Business Group To Date (8/29/22)

- 551 Resolved PBX tickets.
- 109 Installs completed.
- 8 New hosted systems added.
- 102 New lines added in Broadworks.

DIVISION SUMMARY

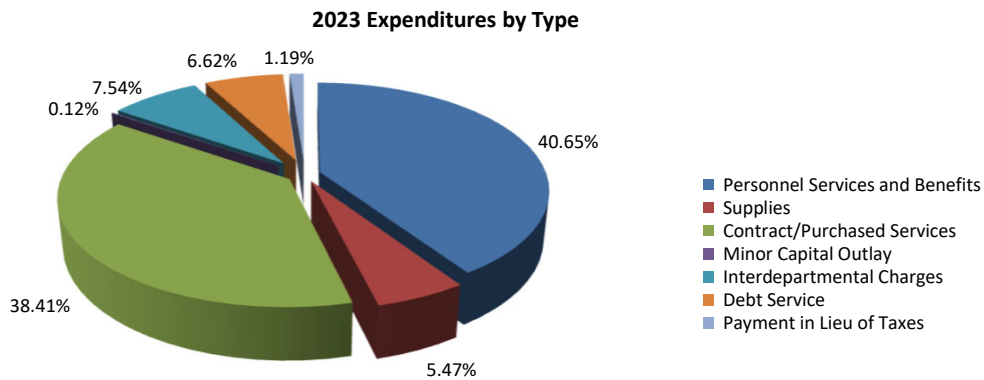
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	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
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Supplies	709,815	888,500	954,720	860,085	950,000	61,500	6.9%
Contract/Purchased Services	6,161,109	6,361,821	6,369,493	6,298,552	6,666,475	304,654	4.8%
Minor Capital Outlay	15,860	18,000	21,000	13,048	21,000	3,000	16.7%
Interdepartmental Charges	985,360	1,103,220	1,108,485	1,051,490	1,307,680	204,460	18.5%
Debt Service	1,172,559	1,171,509	1,171,509	1,171,509	1,149,505	(22,004)	-1.9%
Payment in Lieu of Taxes	206,358	222,046	206,446	206,358	206,400	(15,646)	-7.0%
Total Expenditures	14,826,338	15,731,277	16,054,623	15,815,718	17,354,349	1,623,072	10.3%

Funding Source	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	14,826,338	15,731,277	16,054,623	15,815,718	17,354,349	1,623,072	10.3%
Total Funding	14,826,338	15,731,277	16,054,623	15,815,718	17,354,349	1,623,072	10.3%

KETCHIKAN PUBLIC UTILITIES
2023 Operating and Capital Budget
Telecommunications Division

Operations 5300

Full-time Equivalent Personnel	2021	2022 Budget		2023		2022 Adopted/2023	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
EXECUTIVE & PLANNING							
Division Manager	1.00	1.00	1.00	1.00	177,679	-	0.0%
Administrative Assistant	1.00	1.00	1.00	1.00	51,896	-	0.0%
GENERAL & ADMINISTRATIVE							
Assistant Manager	1.00	1.00	1.00	1.00	140,833	-	0.0%
Tariff Specialist	1.00	1.00	1.00	1.00	67,995	-	0.0%
Access Rate Specialist	1.00	1.00	1.00	1.00	65,395	-	0.0%
Accounting Technician	1.00	1.00	1.00	1.00	55,099	-	0.0%
ENGINEERING SERVICES							
Engineering Manager	1.00	1.00	1.00	1.00	176,009	-	0.0%
Engineer	1.00	1.00	1.00	1.00	130,777	-	0.0%
Senior Datacenter Engineer	1.00	1.00	1.00	2.00	285,996	1.00	100.0%
Outside Plant Engineer	1.00	1.00	1.00	1.00	125,064	-	0.0%
PLANT SPECIFIC							
Outside Plant Foreman	1.00	1.00	1.00	2.00	234,282	1.00	100.0%
Journeyman Cable Splicer	2.00	2.00	2.00	2.00	187,938	-	0.0%
Journeyman Combination Tech	7.00	7.00	7.00	8.00	715,952	1.00	14.3%
Inside Plant Foreman	2.00	2.00	2.00	2.00	254,322	-	0.0%
Journeyman CO Network Tech	8.00	8.00	8.00	8.00	913,256	-	0.0%
Sr. Customer Support Specialist	2.00	2.00	2.00	2.00	122,056	-	0.0%
Customer Support Specialist	3.00	3.00	3.00	3.00	174,623	-	0.0%
PLANT NON-SPECIFIC							
Plant Manager	1.00	1.00	1.00	-	-	(1.00)	-100.0%
Plant Service Clerk	3.00	3.00	3.00	3.00	201,363	-	0.0%
Warehouse Worker	1.00	1.00	1.00	1.00	79,768	-	0.0%
Warehouse Worker/Laborer	1.00	1.00	1.00	1.00	70,886	-	0.0%
Total	41.00	41.00	41.00	43.00	4,231,189	2.00	4.9%



OPERATING BUDGET CHANGES FOR 2023

Changes between the adopted operating budget for 2022 and the proposed operating budget for 2023 that are greater/lesser than 5% and \$5,000 are discussed below:

- Personnel Services and Benefits increased by \$1,087,108, or 18.2%, due to addition of a Senior Datacenter Engineer, an Outside Plant Foreman, a Journeyman Combination Tech and the elimination of the vacant Plant Manager position; annual employee step increases, cost of living adjustment for represented and non-represented employees that will become effective January 1, 2023; and projected increases in pension, health insurance and other benefits costs.
- Inventory for Resale (Account No. 510.08) decreased by \$25,000, or 100% due to Verizon's termination of the wireless agent agreement with KPUTel and subsequent closure of the Verizon store in May 2022.
- Maintenance Materials - Infrastructure (Account No. 515.05) increased by \$75,000, or by 12.0%, due to significant increases in the cost of equipment for both internal use and for equipment used to provisioning customer services.
- Travel - Business (Account No. 600.01) increased by \$16,875, or by 60.0%, due to the business necessity for KPU to remain engaged in the legislative and regulatory arenas. KPU will need to resume its presence at industry events and at in-person meetings with legislators in order to lobby for continued financial support in both the state and federal jurisdictions.
- Travel - Training (Account No. 600.02) increased by \$14,250, or by 76.0%, 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. KPU is a technology company in an innovative and fast moving industry. The division needs to train its employees or it will lose our technical edge that has made the division a technology leader in the community and industry.
- Travel - Training and Education (Account No. 600.03) increased by \$7,235 or by 75.8%, 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. KPU is a technology company in an innovative and fast moving industry. We need to train our employees or we will lose our technical edge that has made the division a technology leader in our community and industry.
- Ads & Public Announcements (Account No. 605.01) increased by \$11,500, or 29.9%, due to the reintroduction of the yellow pages in the telephone book. The division did not publish a directory for the June 2022 to July 2023 period, so only a half of a year's advertising cost was included in the 2022 budget. The 2023 budget reflects an entire year of yellow page advertising expenses.
- Grant Awards (Account No. 610.02) increased by \$17,794, or 34.0%, due to the Telecommunications Division's share of the City's Community Grant Program.
- Legal and Accounting Services (Account No. 640.01) decreased by \$20,000, or by 40.0%, due to anticipated reduction in legal expenditures in filing comments and historic use.
- Engineering and Architectural Services (Account No. 640.02) increased by \$95,000, or by 46.3%, due to increased professional technical assistance required to accomplish network security initiative and overall increases in billing rates for technical professional services.
- Management & Consulting Services (Account No. 640.04) decreased by \$10,000, or by 8.0%, due to historic use in the account and less reliance on outside management consulting services.
- Interdepartmental Charges increased by \$204,460, or by 18.5%, 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 \$32,293, or by 7.2%, due to the decrease in interest expense.
- Payment in Lieu of Taxes (Account No. 975.00) decreased by \$15,646, or by 7.1%, due to programmed City property tax increase not being adopted.

KETCHIKAN PUBLIC UTILITIES
2023 Operating and Capital Budget
Telecommunications Division

Operations 5300

DIVISION OPERATING BUDGET DETAIL

Operating Expenditures	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits							
500 .01 Regular Salaries and Wages	3,291,807	3,576,811	3,611,920	3,611,920	4,231,189	654,378	18.3%
501 .01 Overtime Wages	372,130	250,000	404,250	404,250	350,000	100,000	40.0%
502 .01 Temporary Wages	20,629	14,500	20,000	20,000	20,000	5,500	37.9%
505 .00 Payroll Taxes	277,882	293,860	308,320	308,320	352,000	58,140	19.8%
506 .00 Pension	602,242	624,990	726,980	726,980	691,650	66,660	10.7%
507 .00 Health and Life Insurance	869,134	1,025,900	962,390	962,390	1,167,660	141,760	13.8%
507 .30 Workers Compensation	50,849	57,160	63,650	63,650	71,370	14,210	24.9%
508 .00 Other Benefits	59,532	95,960	95,960	95,960	142,420	46,460	48.4%
509 .04 Allowances-KPU Clothing	5,250	5,000	7,500	7,500	7,000	2,000	40.0%
509 .07 Allowances- Moving Expense	16,883	15,000	15,000	6,707	15,000	-	0.0%
509 .09 Allowances-Incentive Pay	8,939	7,000	7,000	7,000	5,000	(2,000)	-28.6%
Personnel Services and Benefits	5,575,277	5,966,181	6,222,970	6,214,677	7,053,289	1,087,108	18.2%
Supplies							
510 .01 Office Supplies	5,150	12,000	12,000	8,185	10,000	(2,000)	-16.7%
510 .02 Operating Supplies	23,824	23,000	26,000	26,000	26,000	3,000	13.0%
510 .03 Safety Program Supplies	4,065	19,000	14,000	10,000	19,000	-	0.0%
510 .04 Janitorial Supplies	3,713	5,000	5,000	5,000	5,000	-	0.0%
510 .05 Small Tools & Equipment	26,561	35,000	35,000	30,000	35,000	-	0.0%
510 .07 Food & Catering	598	1,000	1,300	1,300	1,000	-	0.0%
510 .08 Inventory for Resale	32,508	25,000	15,200	-	-	(25,000)	-100.0%
515 .01 Vehicle Maintenance Materials	19,892	25,000	27,000	27,000	25,000	-	0.0%
515 .02 Building & Grounds Maint Materials	13,931	13,000	13,000	13,000	13,000	-	0.0%
515 .05 Infrastructure & Plant Maint Materials	489,350	625,000	691,220	625,000	700,000	75,000	12.0%
520 .02 Postage	876	1,000	1,000	1,000	1,000	-	0.0%
520 .04 Freight-Materials & Supplies	45,408	51,000	51,000	51,000	55,000	4,000	7.8%
525 .03 Heating Fuel	5,408	6,500	13,000	13,000	10,000	3,500	53.8%
525 .04 Vehicle Motor Fuel & Lubricants	24,418	27,000	30,000	30,000	30,000	3,000	11.1%
530 .02 Periodicals	1,135	1,000	1,000	600	1,000	-	0.0%
530 .03 Professional & Technical Publications	1,378	2,000	2,000	2,000	2,000	-	0.0%
535 .02 Business and Meal Expenses	28	1,000	1,000	1,000	1,000	-	0.0%
535 .04 Uniforms/Badges/Clothing	11,572	16,000	16,000	16,000	16,000	-	0.0%
Supplies	709,815	888,500	954,720	860,085	950,000	61,500	6.9%

KETCHIKAN PUBLIC UTILITIES
2023 Operating and Capital Budget
Telecommunications Division

Operations 5300

Operating Expenditures	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Contract/Purchased Services							
600 .01 Travel-Business	9,650	28,125	28,125	28,125	45,000	16,875	60.0%
600 .02 Travel-Training	2,531	18,750	18,750	18,750	33,000	14,250	76.0%
600 .03 Travel-Training and Education	3,683	9,540	9,540	9,540	16,775	7,235	75.8%
605 .01 Ads & Public Announcements	23,494	38,500	38,500	38,500	50,000	11,500	29.9%
605 .02 Marketing	-	1,000	1,000	1,000	1,000	-	0.0%
610 .01 Community Promotion	3,965	4,000	4,000	4,000	4,000	-	0.0%
610 .02 Grant Awards	52,405	52,406	61,578	61,578	70,200	17,794	34.0%
615 .01 Professional Licenses & Cert	-	250	250	-	-	(250)	-100.0%
615 .02 Assn. Membership Dues & Fees	36,312	46,000	46,000	46,000	46,000	-	0.0%
630 .01 Building & Operating Permits	217,195	215,000	217,000	217,000	220,000	5,000	2.3%
630 .02 Vehicle Licenses	168	500	500	350	500	-	0.0%
630 .03 Bank & Merchant Fees	5,949	4,000	2,000	859	1,000	(3,000)	-75.0%
630 .04 Broadcast Content Fees	1,474,262	1,600,000	1,610,000	1,610,000	1,650,000	50,000	3.1%
630 .05 Software Licenses	-	500	500	-	-	(500)	-100.0%
630 .06 Service Charges and Fees	-	250	250	-	-	(250)	-100.0%
635 .02 Janitorial & Cleaning Services	19,930	21,000	21,000	21,000	21,000	-	0.0%
635 .03 Vehicle Maintenance Services	5,356	20,000	20,000	15,000	15,000	(5,000)	-25.0%
635 .04 Software & Equip. Maint. Services	573,074	585,000	627,100	627,100	595,000	10,000	1.7%
635 .06 Building and Grounds Maint. Svc	6,265	12,000	12,000	8,000	12,000	-	0.0%
635 .07 Machinery & Equipment Maint. Svc	6,577	5,000	5,000	3,000	5,000	-	0.0%
635 .08 Infrastructure Maint. Services	93,453	65,000	65,000	65,000	65,000	-	0.0%
635 .12 Technical Services	118,037	105,000	105,000	105,000	110,000	5,000	4.8%
635 .14 Other Contractual Services	89,075	123,000	123,000	123,000	123,000	-	0.0%
640 .01 Legal and Accounting Services	18,348	50,000	10,000	10,000	30,000	(20,000)	-40.0%
640 .02 Engineering & Architectural Services	227,646	205,000	266,000	266,000	300,000	95,000	46.3%
640 .04 Management & Consulting Services	98,026	125,000	105,000	105,000	115,000	(10,000)	-8.0%
645 .01 Rents and Leases-Land & Buildings	295,535	190,000	180,000	176,150	181,000	(9,000)	-4.7%
645 .02 Rents and Leases-Machinery & Equip	-	2,000	2,000	500	2,000	-	0.0%
645 .04 Rents and Leases-Infrastructure	2,384,328	2,430,000	2,385,400	2,341,350	2,550,000	120,000	4.9%
650 .01 Telecommunications	175,234	170,000	175,000	172,650	175,000	5,000	2.9%
650 .02 Electric, Water, Sewer & Solid Waste	220,611	235,000	230,000	224,100	230,000	(5,000)	-2.1%
Contract/Purchased Services	6,161,109	6,361,821	6,369,493	6,298,552	6,666,475	304,654	4.8%
Minor Capital Outlay							
790 .15 Furniture and Fixtures	7,884	7,500	10,500	9,040	10,000	2,500	33.3%
790 .25 Machinery and Equipment	6,816	10,000	9,000	3,000	10,000	-	0.0%
790 .26 Computers, Printers & Copiers	-	-	-	-	-	-	0.0%
790 .35 Software	1,160	500	1,500	1,008	1,000	500	100.0%
Minor Capital Outlay	15,860	18,000	21,000	13,048	21,000	3,000	16.7%
Interdepartmental Charges							
800 .00 Interdept'l-Administrative	153,928	172,160	177,425	178,710	199,470	27,310	15.9%
801 .01 Interdept'l-Human Resources	84,789	98,470	98,470	93,180	113,590	15,120	15.4%
802 .00 Interdept'l-Finance	357,302	404,980	404,980	389,550	445,540	40,560	10.0%
803 .01 Interdept'l-Information Tech	246,129	284,490	284,490	254,120	388,130	103,640	36.4%
825 .01 Interdept'l-Insurance	143,212	143,120	143,120	135,930	160,950	17,830	12.5%
Interdepartmental Charges	985,360	1,103,220	1,108,485	1,051,490	1,307,680	204,460	18.5%

KETCHIKAN PUBLIC UTILITIES
2023 Operating and Capital Budget
Telecommunications Division

Operations 5300

Operating Expenditures	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Debt Service							
931 .01 Debt Service-Principal	694,927	724,812	724,812	724,812	735,101	10,289	1.4%
932 .01 Debt Service-Interest	477,632	446,697	446,697	446,697	414,404	(32,293)	-7.2%
Debt Service	1,172,559	1,171,509	1,171,509	1,171,509	1,149,505	(22,004)	-1.9%
Other Costs							
975 .00 Payment in Lieu of Taxes	206,358	222,046	206,446	206,358	206,400	(15,646)	-7.0%
Other Costs	206,358	222,046	206,446	206,358	206,400	(15,646)	-7.0%
Total Expenditures by Type	14,826,338	15,731,277	16,054,623	15,815,718	17,354,349	1,623,072	10.3%

NARRATIVE

500.01 Regular Salaries and Wages: \$4,231,189 – This account provides expenditures for the cost of annual salaries and wages paid to the employees of the Telecommunications Division.

501.01 Overtime Wages: \$350,000 – 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: \$20,000 – 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: \$352,000 – This account provides expenditures for employer contributions for Social Security and Medicare and other similar payroll related taxes.

506.00 Pension: \$691,650 – 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: \$1,167,660 – This account provides expenditures for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation: \$71,370 – This account provides expenditures for employer contributions to workers compensation insurance.

508.00 Other Benefits: \$142,420 – 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: \$7,000 – 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: \$5,000 – This account provides expenditures for employee incentive and suggestion programs. These benefits are taxable to the employees.

510.01 Office Supplies: \$10,000 – 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: \$26,000 – 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.

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: \$700,000 – 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: \$55,000 – This account provides expenditures for shipping or transporting supplies and material to and from vendors.

525.03 Heating Fuel: \$10,000 – 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: \$30,000 – 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: \$45,000 – This account provides expenditures for transportation, lodging, meals, per diems and other incidental expenses associated with travel for business and trade meetings.

600.02 Travel-Training: \$33,000 – This account provides expenditures for transportation, lodging, meals, per diems and other incidental expenses associated with travel for training.

600.03 Training and Education: \$ 16,775– This account provides expenditures for registration fees, training fees, training materials, tuition reimbursements and other incidental expenses associated with training and educating employees; and on-premises training programs provided by staff or third-parties.

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

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

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

610.02 Grant Awards: \$70,200 – This account provides expenditures for the Telecommunications Division's share of the City's Community Grant Program.

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: \$220,000 – 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: \$1,000 – 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: \$1,650,000 – 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.

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: \$15,000 – 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: \$595,000 – 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.

KETCHIKAN PUBLIC UTILITIES

2023 Operating and Capital Budget

Telecommunications Division

Operations 5300

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: \$110,000 – 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: \$30,000 – 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: \$300,000 – 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: \$115,000 – 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: \$181,000 – 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: \$2,550,000 – 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: \$175,000 – 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: \$230,000 – This account provides expenditures for electric, water, sewer, and solid waste utility services.

790.15 Furniture and Fixtures: \$10,000 – This account provides expenditures for acquisition of furniture and fixtures. Included are desks, chairs, tables, workstations, file cabinets, storage cabinets and building fixtures 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: \$1,000 – This account provides expenditures for any specialized software required for the division to effectively and efficiently manage the business.

800.00 Interdepartmental Charges – Administrative: \$199,470 – 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: \$113,590 – This account provides expenditures for human resource services provided by the Human Resources Division.

KETCHIKAN PUBLIC UTILITIES

2023 Operating and Capital Budget

Telecommunications Division

Operations 5300

802.00 Interdepartmental Charges - Finance: \$445,540 – 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: \$388,130 – This account provides expenditures for information technology services provided by the Information Technology Department.

825.01 Interdepartmental Charges – Insurance: \$160,950 – This account provides expenditures for risk management services and claims.

931.01 Debt Service-Principal: \$735,101 – This account provides expenditures for principal on bonds, loans, capital leases and other financing arrangements.

932.01 Debt Service-Interest: \$414,404 – This account provides expenditures for interest on bonds, loans, capital leases and other financing arrangements.

975.00 Payment in Lieu of Taxes: \$206,400 – 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.
- IoT - Internet of Things.
- 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.
- RINA – Rural Independent Network Alliance.
- SCADA – Supervisory Control and Data Acquisition: Control system for Electric and Water.
- SBC – Session Border Controller: Utilized to secure communications between the public internet and the division's voice infrastructure.
- SS7 - Signaling System 7: An out of band network that provides call connection and call routing information.

- SIP – Session Initiation Protocol: The protocol utilized to offer Voice in an IP network.
- SQL – Structured Query Language: Utilized for database manipulation
- SSID – Service Set Identifier is a unique ID used for naming wireless networks to insure digital data gets sent to the correct destination.
- STB – Set Top Box: For provision of television services at customer locations.
- TRS – Telecommunications Relay Service: System to enable communications for the hearing impaired.
- USF – Universal Service Fund: Federal fund to facilitate affordable communications in rural areas and schools and libraries.
- VMware – Virtual Machine Software: A software suite utilized to “virtualize” servers and platforms, allowing for hardware savings by running many different systems on a single platform.
- VTC – Service Activation Suite: Offered by CommSoft, VTC provides automation in provisioning, along with several troubleshooting and diagnostics tools.

KETCHIKAN PUBLIC UTILITIES
2023 Operating and Capital Budget
Telecommunications Division

Capital Budget

Major Capital Outlay	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
705.00 Buildings	-	10,000	10,000	10,000	50,000	40,000	400.0%
720.00 Vehicles & Moving Equipment	-	-	-	-	350,000	350,000	0.0%
725.00 Machinery and Equipment	54,489	65,000	77,000	77,000	160,000	95,000	146.2%
730.00 Infrastructure	692,358	1,356,866	2,178,656	1,219,890	3,998,500	2,641,634	194.7%
Total Major Capital Outlay	746,847	1,431,866	2,265,656	1,306,890	4,558,500	3,126,634	218.4%

Capital Improvement Projects		Funding Sources			
Project #	Project	KPU	Grants	Bonds	Total
		Enterprise Fund			
705.00 Buildings					
	Regulated				
	Normal Growth and Repair - Buildings	50,000			50,000
	Total Buildings	50,000	-	-	50,000
720.00 Vehicles and Moving Equipment					
	Vehicle Acquisition	350,000			350,000
	Total Vehicles and Moving Equipment	350,000	-	-	350,000
725.00 Machinery and Equipment					
	Regulated				
	PC Hardware and Software	60,000			60,000
	Operating Equipment	100,000			100,000
	Total Machinery and Equipment	160,000	-	-	160,000
730.00 Infrastructure					
	Regulated				
	Normal Growth and Repair - CO Switching	700,000			700,000
	Normal Growth and Repair - Copper Cable	25,000			25,000
	Normal Growth and Repair - Fiber Cable	150,000			150,000
	Normal Growth and Repair - CO Transmission	150,000			150,000
	Normal Growth and Repair - Expansion	25,000			25,000
	Normal Growth and Repair - Provisioning	10,000			10,000
	Fiber to the Home	462,000			462,000
	Remote Cabinets for Advanced Services	50,000			50,000
	Core Network Upgrade	100,000			100,000
	Server Environment	400,000			400,000
	Multi-Dwelling Unit Project	240,000			240,000
	Power Expansion/Reclamation	100,000			100,000
	Visual Mapping Software	10,000			10,000
	Network Monitoring	100,000			100,000
	Security	100,000			100,000

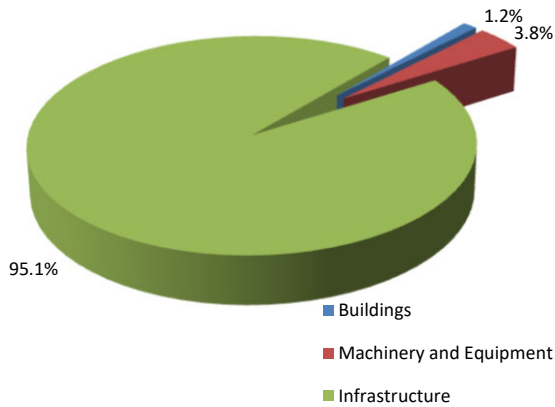
KETCHIKAN PUBLIC UTILITIES
2023 Operating and Capital Budget
Telecommunications Division

Capital Budget

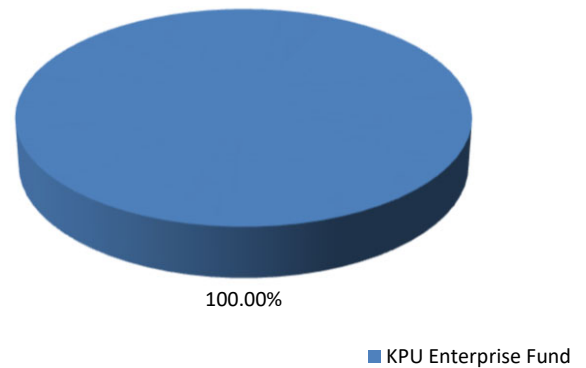
2023 Capital Improvement Projects (continued)

Project #	Project	Funding Sources			Total
		KPU Enterprise Fund	Grants	Bonds	
730.00 Infrastructure (continued)					
Non-Regulated					
	Headend Expansion	25,000			25,000
	Video Set Top Boxes	25,000			25,000
	4G/LTE	300,000			300,000
	Hosted	250,000			250,000
	WiFi	50,000			50,000
	Internet Expansion	50,000			50,000
	KetchCan1 Subsea Cable Repair	676,500			676,500
	Total Infrastructure	3,998,500	-	-	3,998,500
	Total Capital Budget	4,558,500	-	-	4,558,500

Expenditures by Type



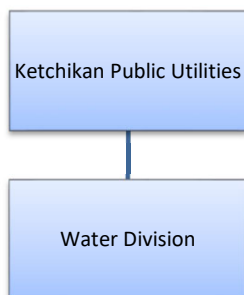
Expenditures by Funding Source



KETCHIKAN PUBLIC UTILITIES
2023 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	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operations	3,420,876	3,964,156	3,943,548	3,801,733	4,152,861	188,705	4.8%
Capital Improvement Program	7,246,686	1,146,132	1,146,132	205,929	2,248,020	1,101,888	96.1%
Total	10,667,562	5,110,288	5,089,680	4,007,662	6,400,881	1,290,593	25.3%

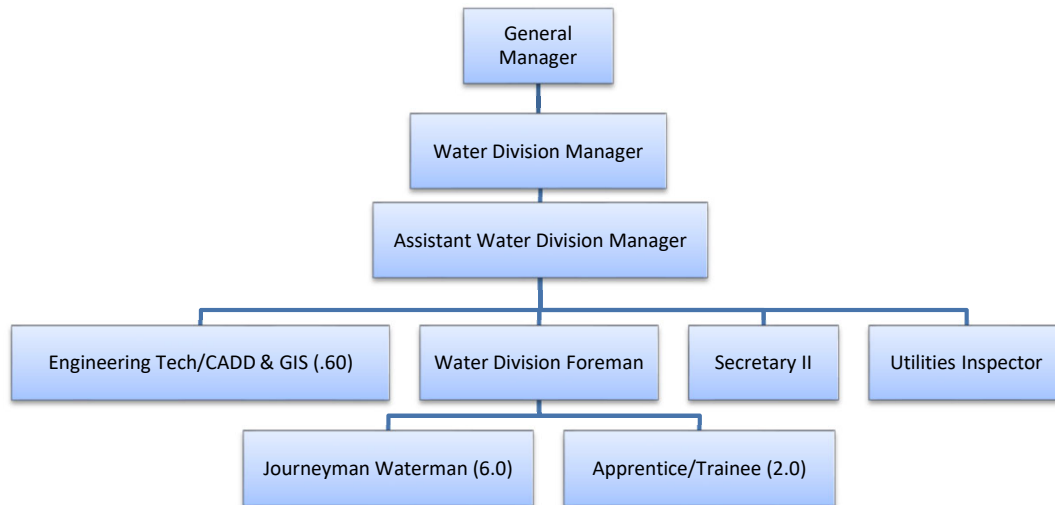
Expenditures by Category	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	1,612,503	1,867,737	1,867,737	1,838,160	1,993,880	126,143	6.8%
Supplies	257,324	309,611	309,611	291,812	308,617	(994)	-0.3%
Contract/Purchased Services	352,287	496,925	488,770	435,717	508,400	11,475	2.3%
Minor Capital Outlay	2,895	3,000	3,900	3,900	13,000	10,000	333.3%
Interdepartmental Charges	390,472	466,515	468,135	426,749	523,618	57,103	12.2%
Debt Service	607,746	607,746	607,746	607,746	607,746	-	0.0%
Payment in Lieu of Taxes	197,649	212,622	197,649	197,649	197,600	(15,022)	-7.1%
Major Capital Outlay	7,246,686	1,146,132	1,146,132	205,929	2,248,020	1,101,888	96.1%
Total	10,667,562	5,110,288	5,089,680	4,007,662	6,400,881	1,290,593	25.3%

Funding Source	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	3,978,175	4,459,675	4,439,067	4,006,067	5,549,361	1,089,686	24.4%
Bonds	6,689,387	650,613	650,613	1,595	851,520	200,907	30.9%
Total	10,667,562	5,110,288	5,089,680	4,007,662	6,400,881	1,290,593	25.3%

Personnel	2021	2022 Budget		2023		2022 Adopted/2023	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
Operations	12.60	13.60	13.60	13.60	1,155,850	-	0.0%
Total	12.60	13.60	13.60	13.60	1,155,850	-	0.0%

MISSION STATEMENT

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



GOALS FOR 2023

- 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 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 the 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 the businesses, commercial buildings, and large residential apartment complexes within the service area fully metered before the end of 2023 will require continued significant effort as there are still approximately 225 unmetered businesses and large apartment buildings remaining. Progress has been at a standstill during 2022 as the continuing coronavirus pandemic 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 are already 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 December 2022. In addition, before this entire project becomes fully operational in 2023, the 2016 Water/ Wastewater Rate Study will need to be updated or a new study commissioned as well as amendments made to the Ketchikan Municipal Code, anticipated to take place in 2023.

ACCOMPLISHMENTS FOR 2022

Filtration-Avoidance and Limited Alternative to Filtration Solution

At its 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 engaged Jacobs Engineering for professional services supporting Ketchikan attaining a LAF. The Tasks include preparations of a Watershed Control Program, a Source Water Quality Study, a Water Treatment Report, and 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 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.

All of the COBC Action Items’ studies and reports have been completed and delivered to ADEC well before the COBC specified date of May 31, 2022. ADEC personnel have completed their reviews of each of these Action Items and updates incorporating their comments have been made. The next step will be ADEC’s transmittal of these documents to the EPA Region 10 Administrator for the EPA’s review. The EPA will undoubtedly have further questions during their individual reviews or requests for supplementary information about these Action Item submittals. This will likely occur over an extended amount of time, perhaps another year or more.

Final LAF approval still depends upon the EPA’s approval of ADEC’s acknowledgement that each of KPU’s five submitted Action Item studies have fully met the provisions listed in Ketchikan’s COBC, the EPA makes an affirmative decision that the utility is to receive a LAF, and ADEC must adopt LAF provisions which do not exist today into the Alaska Drinking Water Regulations.

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.

Once school was over for the summer, BAM Construction began in May by installing the two massive tie-ins at each end of the construction project. New 42-inch wyes were cut into the existing 36-inch ductile iron pipe in the vicinity of the Valley Park field and Ketchikan Charter School, followed by excavation and installation of a segment of HDPE pipe through the Charter School’s parking lot and extending eastward adjacent to the School District’s Maintenance Shop. After the July 4th holiday, another 650-foot segment of HDPE pipe was installed through the Schoenbar Middle School's parking lot up to beginning the crossing of Schoenbar Creek. The parking lot and the exit driveway to Schoenbar Road is now repaved and ready for school to start. BAM's next task was to make the connection from the 42-inch wye in Valley Park field to the Charter School's parking lot and to also have it completed before school starts. By early September, the crossing of Schoenbar Creek and Schoenbar Road will be completed and work will begin installing the final HDPE segment across Norman Walker Field and connecting it to the other 42-inch wye. After cleanup and flushing the new segment of 42-inch HDPE raw water main, isolating the failing portion of the 36-inch raw water main, the new portion should be in service by late October.

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Water Division

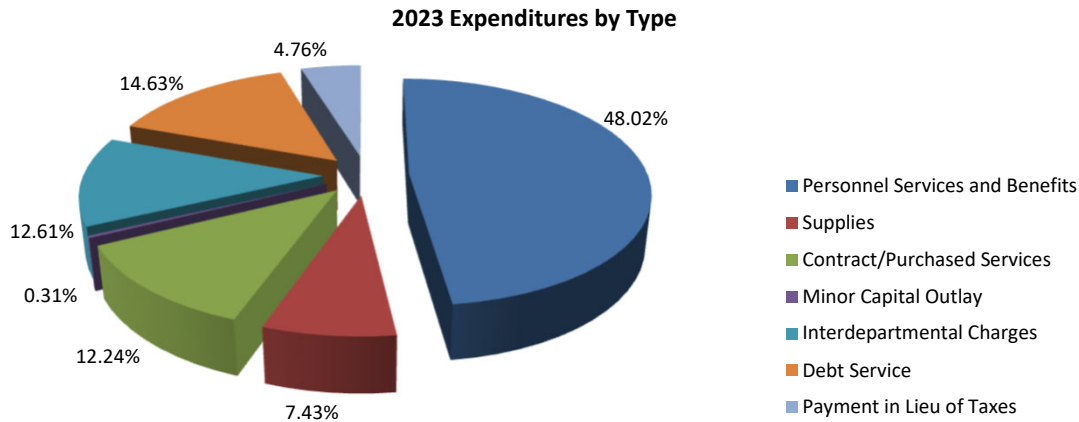
Operations 5400

DIVISION SUMMARY

Expenditures by Category	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	1,612,503	1,867,737	1,867,737	1,838,160	1,993,880	126,143	6.8%
Supplies	257,324	309,611	309,611	291,812	308,617	(994)	-0.3%
Contract/Purchased Services	352,287	496,925	488,770	435,717	508,400	11,475	2.3%
Minor Capital Outlay	2,895	3,000	3,900	3,900	13,000	10,000	333.3%
Interdepartmental Charges	390,472	466,515	468,135	426,749	523,618	57,103	12.2%
Debt Service	607,746	607,746	607,746	607,746	607,746	-	0.0%
Payment in Lieu of Taxes	197,649	212,622	197,649	197,649	197,600	(15,022)	-7.1%
Total Expenditures	3,420,876	3,964,156	3,943,548	3,801,733	4,152,861	188,705	4.8%

Funding Source	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	3,420,876	3,964,156	3,943,548	3,801,733	4,152,861	188,705	4.8%
Total Funding	3,420,876	3,964,156	3,943,548	3,801,733	4,152,861	188,705	4.8%

Personnel	2021	2022 Budget		2023		2022 Adopted/2023	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
Water Division Manager	1.00	1.00	1.00	1.00	137,499	-	0.0%
Assistant Water Division Manager	1.00	1.00	1.00	1.00	130,873	-	0.0%
Foreman	1.00	1.00	1.00	1.00	92,602	-	0.0%
Journeyman Waterman	6.00	6.00	6.00	6.00	492,216	-	0.0%
Apprentice/ Trainee	1.00	2.00	2.00	2.00	131,164	-	0.0%
Utility Inspector	1.00	1.00	1.00	1.00	75,483	-	0.0%
Eng Tech/KPU-CADD & GIS	0.60	0.60	0.60	0.60	42,245	-	0.0%
Secretary II	1.00	1.00	1.00	1.00	53,768	-	0.0%
Total	12.60	13.60	13.60	13.60	1,155,850	-	0.0%



OPERATING BUDGET CHANGES FOR 2023

Changes between the adopted operating budget for 2022 and the proposed operating budget for 2023 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 \$126,143, or by 6.8%, to reflect the negotiated contract for International Brotherhood of Electrical Workers Local 1547 (IBEW) represented staff; as a result of annual employee step increases for employees in graded positions, a 2.5% cost of living adjustment for non-represented employees that will become effective January 1, 2023; and projected increases in pension, health insurance and other benefits costs.
- Infrastructure Maintenance Services (Account No. 635.08) was amended and increased by \$12,000 or by 30.0% to reflect the additional expenditures that have been necessary in 2022 to keep the division's infrastructure fully operational.
- Technical Services (Account No. 635.12) decreased by \$10,000, or by 14.3 % to reflect that the anticipated available funding through the federal "Build Back Better" program has not become as readily available as once anticipated.
- Engineering & Architectural Services (Account No. 640.02) decreased by \$10,000, or by 10.0% to reflect that the anticipated available funding through the federal "Build Back Better" program has not become as readily available as once anticipated.
- Electric, Water, Sewer, & Solid Waste (Account No. 650.02) increased by \$10,000, or by 5.7%, due to anticipated increases in Electric and Water Rates.
- Computers, Printers, & Copiers (Account No. 790.26) increased by \$10,000 or by 333.3% due to the proposed purchase of a replacement for the division's heavy-duty, commercial, office copier in 2023.
- Interdepartmental Charges increased by \$57,103, or by 12.2%, due to increased insurance premiums and increased costs associated with service provided by City departments to the Water Division.
- Payment in Lieu of Taxes (Account No. 975.00) decreased by \$15,022, or by 7.1%, due to the programmed City property tax increase not being adopted.

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DIVISION OPERATING BUDGET DETAIL

Operating Expenditures	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits							
500 .01 Regular Salaries and Wages	967,868	1,069,187	1,047,187	1,047,090	1,155,850	86,663	8.1%
501 .01 Overtime Wages	52,690	79,100	131,500	106,140	79,100	-	0.0%
505 .00 Payroll Taxes	76,935	87,850	87,850	86,700	94,480	6,630	7.5%
506 .00 Pension	186,131	215,060	222,660	222,650	215,170	110	0.1%
507 .00 Health and Life Insurance	288,264	357,440	319,440	317,590	359,250	1,810	0.5%
507 .30 Workers Compensation	23,424	26,740	26,740	26,260	27,320	580	2.2%
508 .00 Other Benefits	15,301	29,090	29,090	29,090	59,860	30,770	105.8%
509 .04 Allowances-KPU Clothing	1,890	2,520	2,520	1,890	2,100	(420)	-16.7%
509 .08 Allowances-Medical Expenses	-	750	750	750	750	-	0.0%
Personnel Services and Benefits	1,612,503	1,867,737	1,867,737	1,838,160	1,993,880	126,143	6.8%
Supplies							
510 .01 Office Supplies	2,142	3,500	3,500	3,200	3,500	-	0.0%
510 .02 Operating Supplies	4,938	9,000	7,000	5,300	6,000	(3,000)	-33.3%
510 .03 Safety Program Supplies	1,697	3,500	3,500	2,500	3,500	-	0.0%
510 .04 Janitorial Supplies	254	450	450	450	450	-	0.0%
510 .05 Small Tools & Equipment	10,171	4,000	5,000	5,000	5,000	1,000	25.0%
510 .06 Chemicals	74,548	90,000	90,000	85,000	90,000	-	0.0%
515 .01 Vehicle Maintenance Materials	19,349	15,000	16,000	16,000	15,000	-	0.0%
515 .02 Building & Grounds Maint Materials	7,045	5,000	5,000	4,000	5,000	-	0.0%
515 .04 Machinery & Equip Maint Materials	56,479	60,000	58,474	55,000	60,000	-	0.0%
515 .05 Infrastructure & Plant Maint Materials	62,809	95,000	95,000	90,000	95,000	-	0.0%
520 .02 Postage	107	200	300	300	200	-	0.0%
520 .03 Bulk Mailing	3,941	4,000	4,270	4,270	4,000	-	0.0%
520 .04 Freight-Materials & Supplies	717	3,000	3,000	3,000	3,000	-	0.0%
525 .04 Vehicle Motor Fuel & Lubricants	11,856	15,000	16,000	16,000	16,000	1,000	6.7%
525 .07 Machinery & Equip Fuel & Lubricants	-	400	400	275	400	-	0.0%
530 .02 Periodicals	161	161	167	167	167	6	3.7%
530 .03 Professional & Technical Publications	865	1,200	1,350	1,350	1,200	-	0.0%
535 .02 Business and Meal Expenses	245	200	200	-	200	-	0.0%
Supplies	257,324	309,611	309,611	291,812	308,617	(994)	-0.3%

KETCHIKAN PUBLIC UTILITIES
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Operating Expenditures	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Contract/Purchased Services							
600 .02 Travel-Training	615	750	750	-	750	-	0.0%
600 .03 Travel-Training and Education	3,915	4,000	4,000	600	4,000	-	0.0%
605 .01 Advertising and Public Announcements	1,865	1,200	1,200	500	1,200	-	0.0%
605 .02 Advertising and Publishing - Marketing	-	750	750	-	750	-	0.0%
610 .02 Grant Awards	16,125	16,125	18,947	18,947	21,600	5,475	34.0%
615 .01 Professional Licenses & Fees	1,620	1,000	1,630	1,630	1,500	500	50.0%
615 .02 Assn. Membership Dues & Fees	1,957	2,000	2,000	1,940	2,000	-	0.0%
630 .01 Building & Operating Permits	100	1,000	950	100	500	(500)	-50.0%
630 .02 Vehicle Licenses	73	100	100	100	100	-	0.0%
635 .04 Software Maintenance Services	11,165	12,000	12,000	12,000	15,000	3,000	25.0%
635 .06 Bldg & Grounds Maintenance Services	13,842	4,000	5,400	5,400	5,000	1,000	25.0%
635 .07 Machinery & Equipment Maint Services	1,254	20,000	15,000	15,000	20,000	-	0.0%
635 .08 Infrastructure Maintenance Services	26,241	40,000	67,000	67,000	52,000	12,000	30.0%
635 .12 Technical Services	56,681	70,000	60,000	60,000	60,000	(10,000)	-14.3%
640 .02 Engineering & Architectural Services	12,351	100,000	75,043	30,000	90,000	(10,000)	-10.0%
645 .02 Rents and Leases-Machinery & Equip	607	13,000	8,000	6,500	13,000	-	0.0%
650 .01 Telecommunications	33,672	36,000	36,000	36,000	36,000	-	0.0%
650 .02 Electric, Water, Sewer & Solid Waste	170,204	175,000	180,000	180,000	185,000	10,000	5.7%
Contract/Purchased Services	352,287	496,925	488,770	435,717	508,400	11,475	2.3%
Minor Capital Outlay							
790 .15 Furniture and Fixtures	991	-	-	-	-	-	NA
790 .26 Computers, Printers and Copiers	1,904	3,000	3,900	3,900	13,000	10,000	333.3%
Minor Capital Outlay	2,895	3,000	3,900	3,900	13,000	10,000	333.3%
Interdepartmental Charges							
800 .00 Interdepartmental-Administrative	47,363	52,970	54,590	54,990	61,380	8,410	15.9%
801 .01 Interdepartmental-Human Resources	20,726	24,070	24,070	22,780	27,770	3,700	15.4%
802 .00 Interdepartmental-Finance	109,939	124,620	124,620	119,870	137,090	12,470	10.0%
803 .01 Interdepartmental-Information Tech	50,659	56,900	56,900	50,830	77,630	20,730	36.4%
804 .01 Interdepartmental-Engineering	73,809	112,000	112,000	85,000	118,000	6,000	5.4%
825 .01 Interdepartmental-Insurance	60,235	62,970	62,970	61,110	69,510	6,540	10.4%
850 .04 Interdepartmental-Bldg Rent	27,741	32,985	32,985	32,169	32,238	(747)	-2.3%
Interdepartmental Charges	390,472	466,515	468,135	426,749	523,618	57,103	12.2%
Debt Service							
931 .01 Debt Service-Principal	501,394	503,801	505,155	505,155	512,761	8,960	1.8%
932 .01 Debt Service-Interest	106,352	103,945	102,591	102,591	94,985	(8,960)	-8.6%
Debt Service	607,746	607,746	607,746	607,746	607,746	-	0.0%
Other Costs							
975 .00 Payment in Lieu of Taxes	197,649	212,622	197,649	197,649	197,600	(15,022)	-7.1%
Other Costs	197,649	212,622	197,649	197,649	197,600	(15,022)	-7.1%
Total Expenditures by Type	3,420,876	3,964,156	3,943,548	3,801,733	4,152,861	188,705	4.8%

NARRATIVE

500.01 Regular Salaries and Wages: \$1,155,850- This account provides expenditures for the cost of the annual wages of the employees of the Water Division.

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: \$94,480 - This account provides expenditures for employer contributions for Social Security, Medicare, and other similar payroll related taxes.

506.00 Pension: \$215,170 - This account provides expenditures for employer contributions to retirement plans.

507.00 Health and Life Insurance: \$359,250 - This account provides expenditures for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation: \$27,320 - This account provides expenditures for employer contributions to workers compensation.

508.00 Other Benefits: \$59,860 - This account provides expenditures for direct claims from former employees for unemployment benefits paid by the State of Alaska and accrued vacation and sick leave.

509.04 Allowances-KPU Clothing: \$2,100 - 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: \$6,000 - 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: \$5,000 - This account provides expenditures for the purchase and/or replacement of small tools and equipment used by the division.

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

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

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

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

515.05 Infrastructure Maintenance Materials: \$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, 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.

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

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: \$167 - 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.

KETCHIKAN PUBLIC UTILITIES

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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: \$21,600 - This account provides expenditures for the Water Division's share of the City's Community Grant Program.

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

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

635.04 Software Maintenance Services: \$15,000 – This account provides expenditures for acquisition of software systems and upgrades covered by maintenance agreements.

635.06 Buildings and Grounds Maintenance Services: \$5,000 - 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: \$52,000 - 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: \$60,000 - 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: \$90,000 - This account provides expenditures for engineering and architectural services in support of the division's efforts to comply with federal and state water quality regulations. The State licensed Carlanna Lake Dam is due for its inspection and relicensing in 2023.

KETCHIKAN PUBLIC UTILITIES

2023 Operating and Capital Budget

Water Division

Operations 5400

645.02 Rents and Leases - Machinery & Equipment: \$13,000 - This account provides expenditures for the rent and lease of machinery and equipment. While the Schoenbar Water Transmission Main replacement segment will be likely be completed in 2022, further remedial repairs will be required to other existing main throughout the community. 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: \$185,000 - This account provides expenditures for electric, water, sewer and solid waste utility services used by the division.

790.26 Computers, Printers, and Copiers: \$13,000 - This account provides expenditures for the replacement of the main Kyocera 4551 copier used for all division reports and memoranda has reached the end of its useful service life. Introduced in 2013, its major repair parts are becoming increasingly difficult to obtain.

800.00 Interdepartmental Charges – Administrative: \$61,380 - This account provides expenditures for administrative and management services provided by the departments of the Mayor & City Council, City Clerk, City Attorney and the administrative office of the City Manager.

801.01 Interdepartmental Charges – Human Resources: \$27,770 - This account provides expenditures for human resource services provided by the Human Resources Division.

802.00 Interdepartmental Charges - Finance: \$ 137,090 - 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: \$77,630 - This account provides expenditures for information technology services provided by the Information Technology Department.

804.01 Interdepartmental Charges – Engineering: \$ 118,000 - This account provides expenditures for engineering services provided by the Public Works Department-Engineering Division.

825.01 Interdepartmental Charges – Insurance: \$69,510 - This account provides expenditures for risk management services and claims.

850.04 Interdepartmental Charges - Building Rent: \$32,238 - This account provides expenditures for the cost of office space at the KPU Administration Building as well as the division's share of planned improvements made to the building.

931.01 Debt Service-Principal: \$512,761 - This account provides expenditures for principal on revenue bonds and ADEC drinking water loans.

932.01 Debt Service-Interest: \$94,985 - This account provides expenditures for interest on revenue bonds and ADEC drinking water loans.

975.00 Payment in Lieu of Taxes: \$197,600 - This account provides expenditures for payments in lieu of taxes assessed against the enterprise funds of the City.

KETCHIKAN PUBLIC UTILITIES
2023 Operating and Capital Budget
Water Division

Capital Budget

Major Capital Outlay	2021	2022 Budget			2023	2022 Adopted/2023	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
720.00 Vehicles and Moving Equipment	-	98,000	98,000	-	75,000	(23,000)	0.0%
730.00 Infrastructure	7,246,686	1,048,132	1,048,132	205,929	2,173,020	1,124,888	107.3%
Total Major Capital Outlay	7,246,686	1,146,132	1,146,132	205,929	2,248,020	1,101,888	96.1%

Capital Improvement Projects		Funding Sources			
Project #	Project	KPU	Grants	Bonds	Total
		Enterprise Fund			
720.00 Vehicles and Moving Equipment					
	Utility Vehicles	75,000	-	-	75,000
	Total Vehicles and Moving Equipment	75,000	-	-	75,000
730.00 Infrastructure					
	Water Filtration Facility Project	200,000	-	-	200,000
	Water Meters-Business & Commercial Customers	-	-	851,520	851,520
	Pump Station Switchgear Improvements	27,500	-	-	27,500
	West Fairy Chasm Main Replacement	35,000	-	-	35,000
	Skyline Water Main Replacement	30,000	-	-	30,000
	Valve Boxes-Repair of Surrounding Pavement	110,000	-	-	110,000
	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
	SCADA PLC Controllers	340,000	-	-	340,000
	UV Facility - UPS Battery Replacement	45,000	-	-	45,000
	Replace ClorTec Generating Cells	60,000	-	-	60,000
	Peterson Street Water Main Rebuild	374,000	-	-	374,000
	Total Infrastructure	1,321,500	-	851,520	2,173,020
	Total Capital Budget	1,396,500	-	851,520	2,248,020

