

DRAFT - 2026 Ketchikan Public Utilities

City of Ketchikan

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RESOLUTION NO. 25-2997

A RESOLUTION OF THE COUNCIL OF THE CITY OF KETCHIKAN, ALASKA APPROPRIATING FROM THE KETCHIKAN PUBLIC UTILITIES ENTERPRISE FUND FOR THE FISCAL YEAR 2026; 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 2026, entitled KETCHIKAN PUBLIC UTILITIES 2026 OPERATING AND CAPITAL BUDGET, is hereby adopted.

Section 2: The sum of \$78,907,910 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, 2026:

Item of Appropriation	Total
General Manager	\$ 521,520
Sales, Marketing & Customer Service	4,114,506
Electric	31,243,094
Telephone	22,262,280
Water	10,774,466
Transfer to KPU Facilities and Infrastructure Replacement Fund	250,000
Appropriated Reserves	<u>9,742,044</u>
 Total Appropriations	 <u>\$ 78,907,910</u>

Section 3: The sum of \$2,500,000 as shown in the following items of appropriations is appropriated for the Ketchikan Public Utilities Facilities and Infrastructure Replacement Fund of the City of Ketchikan, Alaska for the fiscal year beginning January 1, 2026:

Item of Appropriation	Total
Appropriated Reserves	<u>2,500,000</u>
 Total Appropriations	 <u>\$ 2,500,000</u>

Section 5: This resolution shall be effective upon its passage and approval.

PASSED AND APPROVED this 18th day of December, 2025.

Robert Sivertsen, Mayor

ATTEST:

Kim Stanker, City Clerk



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November 14, 2025

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

Pursuant to Section 5-2 of the Ketchikan City Charter, the proposed 2026 Operating and Capital Budget (the "2026 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, 2025. At least one public hearing on the proposed budget is required prior to adoption of the final spending plan.

INTRODUCTION

The 2026 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 2026 represents the bare minimum to meet needs with the financial resources available for KPU in order to provide the utility service to 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 need to be addressed in the coming years through the Capital Improvement Program.

The economic issues facing the community of Ketchikan were considered during the preparation of the proposed spending plan for KPU. Because KPU is not supported by tax dollars, it depends on its residential and commercial ratepayers to provide the resources necessary to finance its operations. The table below lists key operating statistics for KPU for the past ten years.

Year	Electric Customers	Sales - MWh	Access Lines	Water Customers
2010	7,418	156,985	7,103	3,233
2011	7,443	164,714	7,057	3,247
2012	7,518	172,190	6,434	3,243
2013	7,514	170,282	6,083	3,244
2014	7,606	167,939	5,863	3,162
2015	7,694	163,896	5,723	3,163
2016	7,741	165,107	5,611	3,203
2017	7,799	175,448	5,351	3,220
2018	7,838	167,834	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
2022	7,922	174,187	4,139	3,249
2023	7,949	178,130	3,934	3,267
2024	7,964	176,366	3,674	3,265

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 2023, a new record high of 178,130 MWh was realized while 2015 and 2019 saw low consumption of 163,896 and 164,000 MWh respectively. The decrease in energy sales in those years is due to warmer temperatures and in 2019, Ketchikan was impacted by a drought that affected most of Southeast Alaska. During the drought, lake levels reached record lows and utility consumers were encouraged to conserve energy to reduce consumption and limit the amount of diesel power required to make up for the shortfall.

Over the same period, the number of telecommunication access lines declined on average by about 4.78% annually. Competition from GCI, a full-service telecommunications company, satellite providers and wireless phone carriers have made significant inroads into the local market for telecommunication services. KPU Telecommunications eliminated its cable TV services to focus on providing reliable telecommunications and internet services. Ensuring these services are healthy and dependable will help KPU keep its share of the market in Ketchikan.

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, stagnant business and population growth in the community and no industrial growth. The water utility does not serve residents and businesses located outside the boundaries of the City.

MAJOR BUDGET AND FISCAL ISSUES

While 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 2026. Staff believes the City Council should be aware of these issues and will need 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 their 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 **great concern** about the inadequacy 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. Per the 2026 Budget Work Session, staff has proposed rate increases for electric and water that will allow the utility to work towards maintaining fiscal responsibility by adhering to the debt service coverage requirements and bond covenants.

The first step in addressing concerns regarding rates was to establish a rate-setting policy. The new policy was approved in July 2024. The core principles for rate setting are: Cost Recovery, Equity and Fairness, Transparency and Public Participation, Efficiency and Conservation, Long-Term Sustainability and Compliance with Regulations. To achieve Cost Recovery a review of the current rate structures is needed to ensure they meet this goal. In 2025, Council agreed to obtain the services of an outside professional services organization to review the electric rates. Staff will present the results of the electric rate review as soon as the review is complete. A water rate review will take place once the Business Water Meter project is complete. In the meantime, staff has incorporated rate increases as presented during the 2026 Budget Work Session into the 2026 Budget.

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.

Summary of Net Income (Loss)

2015 - 2024

Audited

Year	Total	Electric	Telecom	Water
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)
2022	1,660,296	1,051,240	2,202,251	(1,593,195)
2023	3,385,951	2,016,729	1,579,994	(210,772)
2024	893,745	672,427	(582,484)	803,802

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

- During this period, the water utility has been forced to bear the added cost of deferred maintenance due to the failure of its aging infrastructure without any grant funding that was available to KPU up until 2015. The water utility experienced an operating loss of \$1.5 million in 2022 due to premature line decay which necessitated the replacement of the Schoenbar Raw Water Main. The water division continues to experience breaks in the distribution lines requiring emergency repair and patching, which are occurring at a greater frequency each year. This increases the risk of damage to streets and personal property, costs more in the short term and still requires attention going forward due to the need to replace the infrastructure so that the utility can provide reliable water services to the City residents. The utility is not able to fund the true capital replacement and improvements needed due to the lack of revenue and resources on hand and the ability to pay for future debt service. The Council will see the capital replacement needs going forward are significantly larger than the available resources, limiting the projects that can be budgeted or financed through the State of Alaska's Drinking Water Loan program. Even issuing debt requires additional rate increases for each loan since revenues are not sufficient to fund new debt service. Water Infrastructure is a public safety need that can become an emergency if not addressed timely.
- While 2020 through 2024 appear to reflect an improved financial position for the electric utility, very little has been done 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 of net revenues from 2020 to 2023 was due a significant number of staff vacancies and the deferral of necessary capital improvements. In 2024, an emergency repair of the Silvis generator reduced the amount of KPU hydro generation and increased the amount of SEAPA power that was purchased, creating an additional draw

on reserves. The Council approved a 12 cent per kWh increase in 2025, which shows a more positive result so far, but it is important to stay on top of any cost increase and work towards funding capital needs to limit deferred projects. The Electric Division has filled several positions but needs a new manager to oversee the hiring of personnel going forward. A full staff will result in reduced income, so it is important to budget the full staffing level to prevent relying on a manually-deflated budget to keep from raising rates to fund the full staff that is optimal for a utility our size. The 2024 net income shows that costs are increasing at a higher rate than revenues. The 2026 budget reflects a minimum 8.0% rate increase, discussed during the 2026 Budget Work Session, that is able to fund operations but not capital. Revenues need to be sufficient to fund annual capital or the additional debt service expected as a result of the 5-year CIP plan. Currently, KPU is utilizing reserves to fund its capital but does not have sufficient reserves to continue this practice past 2026. This should be addressed now, before the utility is no longer able to provide services to its customers.

- 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 per the 2024-2026 KPU IBEW CBA. 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 quickly. 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 telecommunications utility. The 2026 Budget is estimating the use of reserves for 84% of its capital budget. At some point the reserves will not be able to fund any capital projects which puts the utility in a precarious situation. We expect to realize savings by sunsetting the TV product offering and focusing on internet services, but will need to monitor this closely since the 2024 results show an income loss.
- The Summary of Funding by Operating Utility on page C-4 further illustrates the concerns regarding the inadequacies of the current rate structure. The utility was proposing a \$12.74 million dollar drawdown of reserves after factoring in the 2026 rate increase for both electric and water.

The C-4 summary shows how each utility can cover its operating and capital costs through the rates it charges in 2026. Each division is projected to draw on reserves to fund the following share of its capital projects: 99% for Electric Division, 84% for Telecom Division and 33% for Water Division. The Electric and Water Division also has significant capital projects in their 5-year capital improvement plan that will require bond or loan funding. Please see the debt section for more information on the estimated debt service for bond and drinking water loan funded projects.

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 construct and finance a filtration plant and an alternate raw water line without grant funding. In addition, the electric utility has identified bonds in the amount of \$86.25 million as the source of funding in their 5-year capital improvement program plan. A financially strong Ketchikan Public Utilities is going to be a prerequisite for issuing the bonds required to finance these projects. The utility should start preparing for the loan application process by controlling costs for each utility and adjusting the rates to cover the costs of each utility without subsidies. Consideration should also be given to raising rates with the goal of being able to fund more capital improvements from operating revenues, rather than reserves.

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 estimated to be in excess of \$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. In May 2023, EPA Region 10 representatives visited Ketchikan to view the facilities and the watershed. In November 2024, ADEC released draft LAF regulations for comment and the EPA is in the process of evaluating those regulations and KPU's request for a Limited Alternative to Filtration. While KPU is waiting for EPA's final decision, work to explore the capability of our current facilities to comply with the Safe Drinking Water Act. As we await a final decision, we do now know that at a minimum, we may be required to install and operate an additional UV plant for increased disinfection.

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 solely 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.

KPU is aware that its current diesel generation facilities are showing their age and lack the capacity to provide power during an extended drought like the one in 2019. Two of the four main diesel generators located at the Bailey Power Plant are over 50 years old, one is 48 years old and one is 26 years old. **KPU must 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 of a new generator will most likely exceed \$40 million and will require approval from the voters to finance the acquisition and installation of the new generator. The annual debt service required for an \$86.25 million bond plus a \$6.9 million reserve account at an interest rate of 5.00% is about \$7.5 million and would require a 21% electric utility rate increase sufficient to satisfy the debt service requirements of KPU's bond covenants, in addition to the rate increases needed to fund changes in operating costs.

SIGNIFICANT BUDGET ASSUMPTIONS

To present a complete spending plan for 2026, 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 2026 are as follows:

- Staffing levels will remain the same as 2025 except for the elimination of one Customer Solution Specialist position in customer service and one water apprentice. Compensation for KPU staff is expected to increase because of a 5.0% COLA and step increases required by the compensation plan and will be programmed for all eligible employees.
- Pension and Health insurance increases continue to drive benefit costs upward. Health insurance premiums continue to increase in a market with fewer providers. While the increase in the cost for health insurance is shared in accordance with a tiered formula for its non-represented employee and represented employees, the employee share does not kick in until the premium increase exceeds 5%. Staff continues to work with our insurance broker to provide competitive benefits without increasing the cost to non-represented employees, but no less expensive solutions are available at this time. Employee pension costs continue to increase due to the effects of moving to a percentage-based pension calculation. As wages increase, so does the cost of overtime and pension. The current pension cost is equal to 18% of wages with a maximum of \$12.00 per hour. There are only a few employees that are maxed out, causing annual increases in the pension. The calculation of pension for non-represented employees assumes that the State of Alaska will keep the current PERS employer contribution rate of 22 percent.
- The wet weather experienced in 2025 has triggered a Whitman Lake true-up payment increasing the cost of purchased power.
- Rate increases have been programmed for electric and water utilities to ensure KPU is in compliance with the debt service coverage requirements per KPU's bond covenants and can pay for the wage and benefit increases per the 2024-2026 collective bargaining agreement approved by the Council in 2023. Per the Draft 2026 Budget, KPU is not able to meet its reserves requirement of \$12.32 million for 2026.
- Liability, property and auto insurance premiums have been programmed to increase by 17.0%, 5.0% and 50.0%, respectively. The City's liability, auto and property insurance policies expire annually on July 1 and, therefore, the renewals overlap the City's calendar year. The recent increases are due to the liabilities resulting from claims and a transition to a new insurance carrier. The auto policy saw a large increase due to the insurance carrier's method for calculating the premium, which increased the cost for each vehicle. While the property policy did not increase as expected in 2025, the new carrier notified the City that all properties would be evaluated within a three-year period, which may result in larger increases in future years.
- Workers compensation insurance policies will also expire on July 1, 2026, and overlap the City's calendar year. Premiums for workers' compensation insurance have been projected to increase by an overall 10% over 2025 and have been programmed for such. The City's experience factor increased in 2025 due to the fact that employees were injured in the landslide that occurred in August 2024. In general, the premiums for workers' compensation are based on staffing demographics and the rates are 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 10% and others will experience an increase of less than 10%.
- Annual debt service has been programmed to decrease \$8,694 in 2026 due to regular fluctuations in the debt service schedule. KPU has not issued any new debt or entered into any new loan agreements.

- Interdepartmental allocations for the Information Technology Department changed in 2024, due to the transition of the AS-400 from an IT managed system to a cloud-based system for telecommunications billing software. The Telecommunications Division is now contracting directly with the billing software vendor to manage the billing system. This change also changed the allocation of IT costs from a flat 50% to a percentage based on FTE positions and the services provided to each position. In 2026 the increase is attributable to increases in operating costs for the administration and engineering divisions. The engineering division is fully staffed and provides support to the water and electric divisions.
- Divisions were directed to keep operating expenditures at 2025 levels and provide a business reason for any increases in excess of \$5,000 and 5.0%. Divisions were also directed to limit capital projects to those that are essential unless outside funding is available. Further, the General Manager reviewed each division's capital budget to ensure all the projects are essential. While we deferred some projects we are left with projects that can no longer be deferred for regulatory and safety reasons.

The Proposed 2026 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 2026 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.

We would like to take this opportunity to express our appreciation to the division managers and their respective staff members for their assistance during the preparation of the KPU 2026 Operating and Capital Budget. Special thanks go to Financial Analyst Meghan Traudt, Senior Electric and Water Accountant Stan Aegerter, Senior Telecommunications Accountant Joe Graham, Senior General Government Accountant Camille Nelson, Grants and Fixed Assets Accountant Cristina Doyle, Staff Accountant Anita Beaudoin, Office Services Technician Anna Combrink and Executive Assistant Myrna Johannsen. Without their efforts and dedication, it would not have been possible to deliver this document to you in a professional and timely manner.

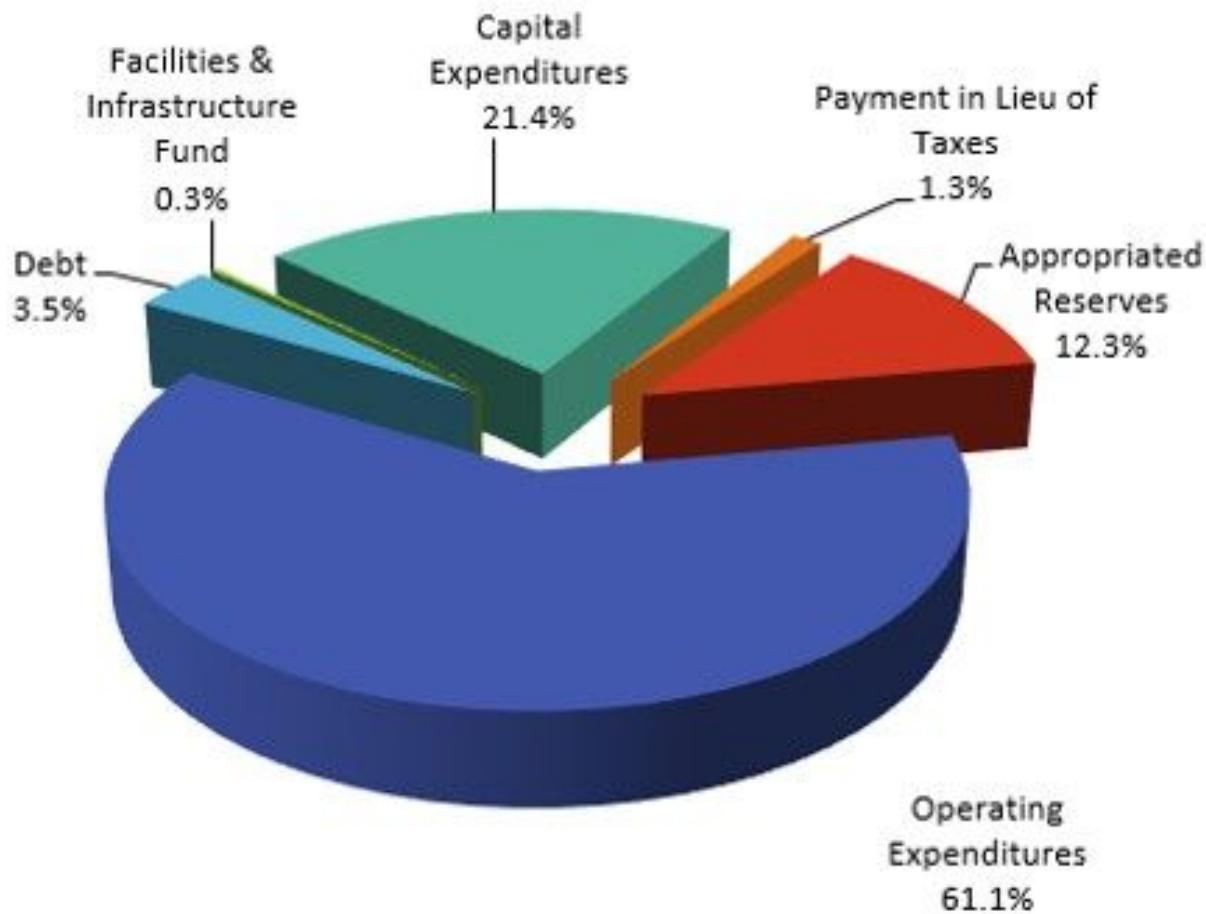
Financial Overview of the Ketchikan Public Utilities

2026 Operating and Capital Budget

The 2026 Budget includes all operating and support divisions of KPU. The total amount requested for appropriations is \$78.91 million, an increase of \$6.45 million from the amount appropriated with the adoption of the 2025 Budget. The key components of total appropriations for 2026 and a comparison with 2025 and 2024 appropriations are as follows:

	2024 Actual	2025 Budget	2025 Estimate	2026 Budget
Operating Expenditures	\$ 41,476,245	\$ 45,222,864	\$ 43,293,606	\$ 48,211,628
Debt Service	2,619,823	2,784,929	2,787,929	2,779,236
Payment in Lieu of Taxes	786,000	786,000	786,000	1,063,450
Total Cost of Operations	44,882,068	48,793,793	46,867,535	52,054,314
Facilities & Infrastructure Fund	250,000	250,000	250,000	250,000
Capital Expenditures	6,065,934	10,563,679	6,939,819	16,861,552
Total Expenditures	51,198,002	59,607,472	54,057,354	69,165,866
Appropriated Reserves	24,684,644	12,752,328	22,484,289	9,742,044
Total Appropriation	<u>\$ 75,882,646</u>	<u>\$ 72,359,800</u>	<u>\$ 76,541,643</u>	<u>\$ 78,907,910</u>

2026 Appropriations



The balance of this overview is provided in the Fund Summary for KPU section of the 2026 Budget and 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.

2026 Budget Priorities

During the 2026 Budget Work Session, the following direction was given to staff:

- Keep costs at 2025 levels except for wages. Increases in the 2026 budget should not exceed 5% without justification.
- Staffing levels must not increase above 2025 levels. In addition, one Finance position and one Human Resources position were defunded by the Council.
- Implement recommendations from the Cruise Ship Passenger Impact Study.

During the budget work session, staff provided a review of tax and service rates to address the City's financial needs. As a result of this review, certain tax and service rate increases have been factored into the 2026 General Government Operating and Capital Budget per the Council's Rate Setting Policy - COK1.05. The core principles for rate setting are Cost Recovery, Equity and Fairness, Transparency and Public Participation, Efficiency and Conservation, Long-Term Sustainability and Compliance with Regulations.

The recommended rate increases are as follows:

- 0.5% Seasonal Sales Tax increase — Addressed in the general government budget.
- A property tax mill rate increase is recommended for 2027 but a smaller increase in 2026 and 2027 may be more palatable and should be considered to fund police and fire operations. - Addressed in the general government budget.
- 9.5% Solid Waste rate increase in 2026 and 5.5% from 2027 to 2030 — Addressed in the general government budget.
- 8.0% Harbor Services rate increase, annually over the next 5 years. — Addressed in the general government budget.
- 8.0% Wastewater Services rate increase, annually over the next 5 years. — Addressed in the general government budget.
- 8.0% Water Services rate increase, annually over the next 5 years.
- 8.0% Electric rate increase, annually over the next 3-5 years— This rate increase is pending the results of a rate review of electric services.

The rate increases referenced during the work session were recommended minimum increases to keep the City moving in a positive direction. The cost of services and capital improvements have increased, but the rates have not kept up with costs.

Staff also recommended establishing rates sufficient to fund certain debt service thresholds and further defining the use of funds when the debt service is below the threshold. These thresholds are as follows:

- General Fund Facilities Debt Service Threshold is \$1,000,000 — Addressed in the general government budget.
- Harbor Fund Debt Service Threshold is \$650,000 — Addressed in the general government budget.
- Wastewater Services Fund Debt Service Threshold is \$650,000 — Addressed in the general government budget.
- Water Services Debt Service Threshold is \$1,500,000 — Current rates and reserves are not sufficient to meet the Water debt service threshold.
- Electric Services Debt Service Threshold is \$1,500,000 - Current rates and reserves are not sufficient to meet the Electric debt service threshold.

City of Ketchikan-Ketchikan Public Utilities

Fund Balance Policy

Policy: The City of Ketchikan (the City) will build and maintain, at a minimum, a fund balance in certain identified funds (the Funds). The following fund balances are believed to be sufficient to avoid the necessity of internal or external borrowing, and in doing so, provide for sufficient cash balances to fund operations and allow for the financial stability of the City.

Fund balance targets for respective funds are as follows:

- General Fund a minimum fund balance equal to three (3) months of operations, or 25% of budgeted expenditures in the Fund.
- Public Works Sales Tax Fund – a minimum fund balance equal to three (3) months of operations, or 25% of budgeted expenditures in the Fund, plus amounts consistent with the City's capital improvement plan as applies to relevant infrastructure and equipment replacement and major maintenance.
- Solid Waste Fund - a minimum fund balance equal to three (3) months of operations, or 25% of budgeted expenditures in the Fund, plus amounts consistent with the City's capital improvement plan as applies to solid waste capital, closure and post-closure requirements.
- Wastewater Fund - a minimum fund balance equal to six (6) months of operations, or 25% of budgeted expenditures in the Fund, plus amounts consistent with the City's capital improvement plan as applies to wastewater infrastructure replacement and major maintenance.
- Boat Harbor Fund - a minimum fund balance equal to six (6) months of operations, or 25% of budgeted expenditures in the Fund, plus amounts consistent with the City's capital improvement plan as applies to harbor-related infrastructure replacement and major maintenance.
- Port Fund - a minimum fund balance equal to five (5) months of operations, or 25% of budgeted expenditures in the Fund.
- **Ketchikan Public Utilities Fund - a minimum fund balance equal to three (3) months of operations, or 25% of budgeted expenditures in the Fund, plus amounts consistent with the City's capital improvement plan as applies to public utilities infrastructure replacement and major maintenance.**

Purpose: The City wishes to maintain existing service levels without unnecessary increases in taxes or fees, and maintain a stable financial position during periods of economic uncertainty. To that end, the City will establish prudent reserves in the Funds in order to ensure financial stability throughout the fiscal year including provision for unforeseen contingencies and consideration to revenue timing. This policy establishes a threshold minimum for the City's Funds and is intended to serve as a guide for operational, budgetary, and policy decisions made by the City Council and management.

Definition: The term "fund balance" as referred to in this policy is defined as any amounts that are not legally or contractually required to be maintained intact; externally restricted by grantors, contributors, laws or regulations; or restricted by law, through constitutional provisions or enabling legislation.

Background: An adequate fund balance is critical to lessen the impact of revenue shortfalls and/or unanticipated expenditures over time. Fund balance also serves as a source of bridge funding from year to year, allowing the City to maintain or transition to sustainable service levels.

Maintaining a sufficient level of fund balance provides a lower level of financial risk and allows the City time to react to unfavorable conditions or events that may occur. This lower level of risk and greater flexibility provided must be balanced with the needs of the community served by the City, and with the City Council's goals and objectives.

As a best financial management practice, the City will maintain a prudent fund balance in the Funds to:

1. Provide sufficient resources to meet cash flow needs;
2. Maintain an investment grade bond rating capacity;

3. Cover unforeseen emergencies;
4. Avoid short-term borrowing to fund operations; and
5. Set aside funds for major capital projects or equipment purchase when deemed appropriate.

An adequate fund balance provides sufficient cash flow during those periods of the fiscal year when expenditures typically exceed revenues coming into the City. While some revenues are received uniformly through the year (utility charges and quarterly sales tax receipts e.g.), others are seasonal (port and harbor related revenues), and property taxes are received in the fall following the levy. .

GFOA best practices, comparisons with similar cities, and analyses of the City's future financial needs and challenges identified through discussion with City staff and the City's capital improvement plan were considered in determining appropriate levels of fund balance.

List of Funds

General Fund

101 - General Fund – This fund is the operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund. The assets of this fund have not been restricted.

General Funds - Tax Revenue Funds

110 – Hospital Sales Tax Fund – This fund is used to account for the proceeds of the one percent (1%) sales tax levy that is primarily restricted to the payment of the cost of acquiring, constructing and maintaining healthcare facilities pursuant to Section 3.04.130(b) of the Ketchikan Municipal Code. The proceeds can also be used to defray part of the operating cost of city government if they are not needed for healthcare facilities. The assets of this fund have been restricted by the Ketchikan Municipal Code.

111- Public Works Sales Tax Fund – This fund is used to account for the proceeds of the one and one-half percent (1 ½%) sales tax levy that is primarily restricted to the payment of the cost of acquiring, constructing and maintaining general government infrastructure and other capital assets pursuant to Section 3.04.130(a) of the Ketchikan Municipal Code. The proceeds can also be used to defray part of the operating cost of city government if they are not needed for infrastructure and other capital assets. The assets of this fund have been restricted by the Ketchikan Municipal Code.

Special Revenue Funds – Tax Revenue Funds

210 – Transient Tax Fund – This fund is used to account for the proceeds of the seven percent (7%) occupancy tax levied on transient lodging rent pursuant to Section 3.28.030 of the Ketchikan Municipal Code. The proceeds from the transient tax must be used primarily for the purpose of promoting the City, including but not limited to funding the Ketchikan Visitors Bureau. The proceeds may also be used for other purposes as determined by the City Council. The assets of this fund have been restricted by the Ketchikan Municipal Code.

211 – Marijuana Sales Tax Fund – This fund is used to account for the proceeds of the five percent marijuana sales tax under Section 3.04.030 of the Ketchikan Municipal Code. These funds must be used primarily for the purpose of assisting and addressing the needs of the homeless population or other humanitarian purposes as determined by the City Council.

Special Revenue Funds – Revenue Generating Funds

220 – Solid Waste Services Fund – This fund is used to account for the revenues received from the collection and disposal of solid waste and the related expenditures incurred to provide solid waste services. The fund was established in accordance with Section 7.16.080 of the Ketchikan Municipal Code. The assets of this fund have been restricted by the Ketchikan Municipal Code.

240 – Ketchikan Boat Harbor Fund – This fund is used to account for the revenues received or harbor moorage and related expenditures incurred to provide mooring facilities. The authority for establishing this fund cannot be determined. Certain grant agreements accepted by the City for harbor improvements now require that fees collected for moorage be restricted for the operation and maintenance of grant funded improvements.

250 – Bayview Cemetery Operation and Maintenance Fund – This fund is used to account for the revenues received that are dedicated to support the operations of the Bayview Cemetery. This fund was established at the direction of the City Council.

251 – Bayview Cemetery Development Fund – This fund is used to account for the revenues received that are dedicated to the upgrading and improvement of the Bayview Cemetery. This fund was established at the direction of the City Council.

252 – Bayview Cemetery Endowment Fund - This fund is used to account for the revenues received that are dedicated to the perpetual care of the Bayview Cemetery. This fund was established at the direction of the City Council.

General Funds – Other

112 – Shoreline Area Fund – This fund is used to account for the assets and liabilities of the former Shoreline Service Area that were transferred to the City at the time the service area was annexed. This fund was established at the direction of the City Council.

117 – Community Grant Fund – This fund is used to account for the funds dedicated for the Community Grant Program. This fund was established at the direction of the City Council.

118 – Economic Development and Parking Fund – This fund is used to account for the proceeds from the sale of the Spruce Mill property. These proceeds must be used for economic development and the development of parking facilities as determined by the City Council. This fund was established at the direction of the City Council.

119- Emergency Relief Fund – This fund is used to account for the proceeds from disaster relief and to account for the related expenditures

Special Revenue Funds - Other

260 – CPV Fund – This fund is used to account for revenues received from the State of Alaska's commercial passenger vessel excise tax. The tax collected by the State is \$34.50 per passenger. The State passes \$2.50 per passenger through to the City. The assets of this fund have been restricted under federal and state law and must be used for the benefit of passengers traveling on commercial passenger vessels in Alaska waters.

280 – U.S. Marshall Fund – This fund is used to account for revenues received from the seizure of assets during drug enforcement operations that are dedicated to law enforcement activities. The assets of this fund have been restricted under federal and state law.

285 – Supplemental Emergency Medical Transport Fund – This fund is used to account for the annual revenues received from the State of Alaska's Title 7 of the Alaska Administrative Code, Chapter 145.750, Supplemental Emergency Medical Transport program. These revenues will be used to pay for Fire Department EMS programs, major projects and training of fire department personnel in order to update and maintain Fire Department medical equipment and staff.

290 – Federal and State Grant Fund – This fund is used to account for the receipt of grant revenues and to account for the related expenditures. Grant funds are restricted and can only be used for specific purposes.

Capital Project Funds

310 – Major Capital Improvements Fund – This fund is used to account for the accumulation of resources for the purpose of constructing major capital improvements as determined by the City Council. This fund currently has no source of continuing revenues. This fund was established at the direction of the City Council.

320 – Harbor Construction Fund – This fund is used to account for the proceeds from state grants utilized for the construction costs associated with the deferred maintenance of harbor facilities. This fund was established by the Finance Department in order to comply with the accounting and reporting requirements of the State. The assets of the fund have been restricted by agreement with the State.

330 – Community Facilities Development Fund – This fund is used to account for the accumulation of resources for the purpose of upgrading community facilities as determined by the City Council and the cost of construction. This fund was being funded primarily by annual transfers from the General Fund and local fund raising efforts. The annual transfers ceased when the City issued bonds for the library and fire station projects. This fund was established at the direction of the City Council.

340 – Hospital Construction Fund – This fund is used to account for the proceeds from state grants and bonds utilized to finance the design and construction costs associated with Ketchikan Medical Center Expansion Project. This fund was established by the Finance Department in order to comply with the accounting and reporting requirements of the State and the City's bond covenants. The assets of the fund have been restricted by the grant agreement with the State and the bond covenants and must be used for the Ketchikan Medical Center Expansion Project.

360 – CPV Fund – This fund is used to account for Capital Projects funded from CPV Funds. See Fund 260 for restrictions.

Debt Service Funds

410 – General Obligation Bond Debt Service Fund – This fund is used to accumulate funds for the payment of principal and interest on the hospital; library and fire station general obligation bonds. Funding is provided from property and sales tax revenues. This fund was established by the Finance Department. The assets of the fund have been restricted by bond covenants for the payment of debt service.

Enterprise and Internal Services Funds

505 – Wastewater Fund – This fund is used to account for the operations, maintenance and capital improvements of the municipal wastewater collection and treatment utility system. The fund was established pursuant to Section 12.09.110 of the Ketchikan Municipal Code. Use of the funds is governed by Section 12.09.115 of the Ketchikan Municipal Code. The assets of this fund have been restricted by the Ketchikan Municipal Code.

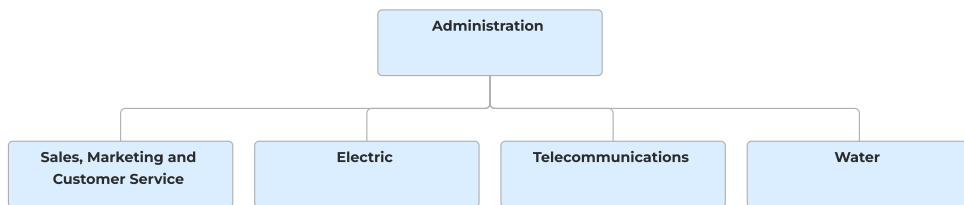
510 – Ketchikan Port Fund – This fund is used to account for the operations, maintenance and capital improvements of city-owned port facilities. This fund was established in accordance with Section 13.04.050 of the Ketchikan Municipal Code. Use of the funds is governed by Section 13.04.060 of the Ketchikan Municipal Code. Federal law restricts the use of passenger wharfage fees and the 2006 Port Revenue Bond covenants place restrictions on the use of all revenues of the Ketchikan Port Fund. The assets of this fund have been restricted by the Ketchikan Municipal Code, federal law and bond covenants.

511 – Port Repair and Replacement Fund – This fund is used to accumulate funds for the repair and maintenance associated with city owned and leased port facilities. This fund was established pursuant to the terms and conditions of the 2006 Port Revenue Bond covenants and the terms and conditions of the Berth IV lease between the City of Ketchikan and Ketchikan Dock Company. The assets of this fund have been restricted by bond covenants and third party agreements.

520 – Ketchikan Public Utilities Fund – This fund is used to account for the operations, maintenance and capital improvements of Ketchikan Public Utilities, a combined utility that provides electric, telecommunications and water services. The fund was established in accordance with Section 8.1 of the City Charter. The assets of this fund have been restricted by the City Charter and KPU's municipal utility revenue bond covenants.

610 – Self-Insurance Fund – This fund accounts for claims not covered by the City's insurance policies. This fund was established at the direction of the City Council, working in consultation with the City's insurance brokers. This fund was established by the City Council.

Organizational Chart



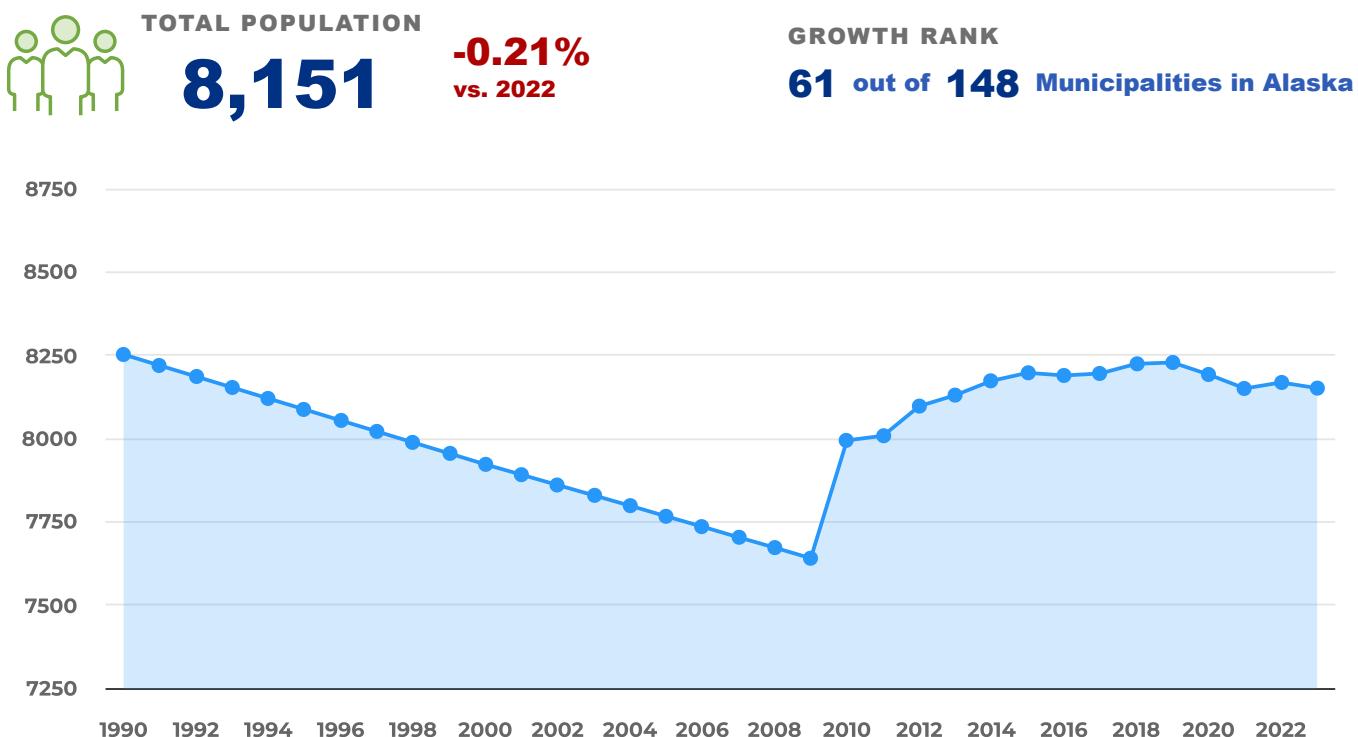
KETCHIKAN PUBLIC UTILITIES

Number of Employees Comparative Schedule

Division	2023 Actual	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	Increase/ Decrease	% Change
5100 GENERAL MANAGER	1.50	1.50	1.50	1.50	1.50	1.50	-	0.0%
5110 SALES, MARKETING & CUSTOMER SERVICE	20.00	20.00	19.75	19.75	19.75	18.75	(1.00)	-5.1%
5200 ELECTRIC								
Administrative	6.00	6.00	6.00	6.00	6.00	6.00	-	0.0%
Generation Control	9.00	9.00	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	43.40	43.40	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	5.00	5.00	5.00	5.00	5.00	-	0.0%
Plant Specific Operations	27.00	27.00	27.00	27.00	27.00	27.00	-	0.0%
Plant Non-Specific Operations	6.00	5.00	5.00	5.00	5.00	5.00	-	0.0%
TOTAL TELECOMMUNICATIONS	43.00	43.00	43.00	43.00	43.00	43.00	-	0.0%
5400 WATER	13.60	14.60	14.60	14.60	14.60	13.60	(1.00)	-6.8%
TOTAL KPU EMPLOYEES	121.50	122.50	122.25	122.25	122.25	120.25	(2.00)	-1.6%

Demographics

Population

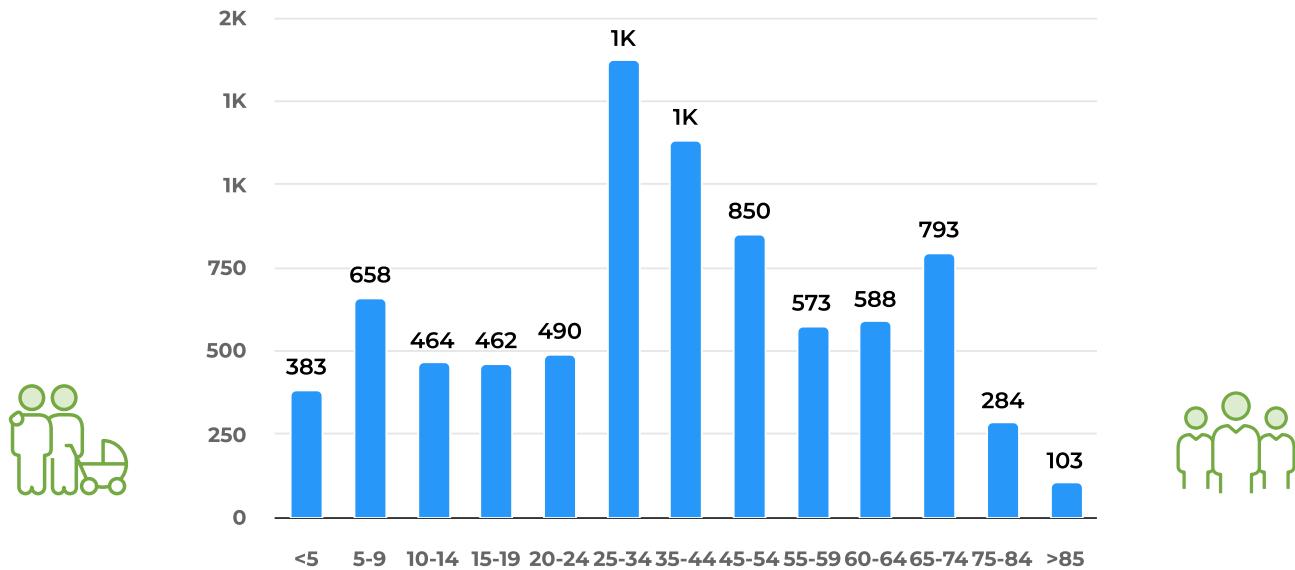


* Data Source: U.S. Census Bureau American Community Survey 5-year Data and the 2020, 2010, 2000, and 1990 Decennial Censuses



Daytime population represents the effect of persons coming into or leaving a community for work, entertainment, shopping, etc. during the typical workday. An increased daytime population puts greater demand on host community services which directly impacts operational costs.

* Data Source: American Community Survey 5-year estimates

POPULATION BY AGE GROUP

Aging affects the needs and lifestyle choices of residents. Municipalities must adjust and plan services accordingly.

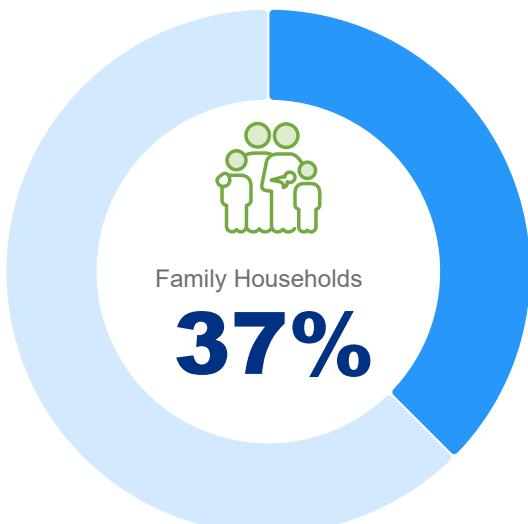
** Data Source: American Community Survey 5-year estimates*

Household

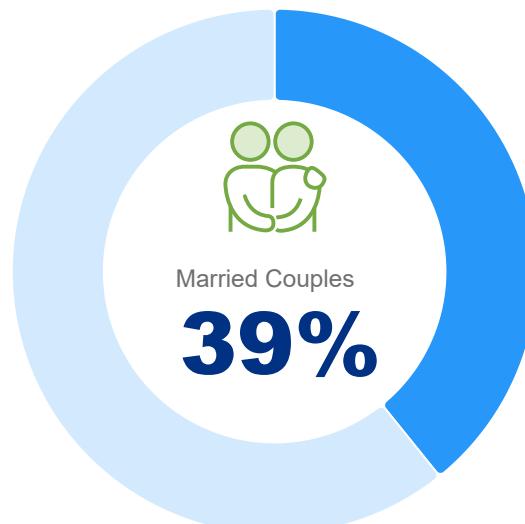
TOTAL HOUSEHOLDS

3,311

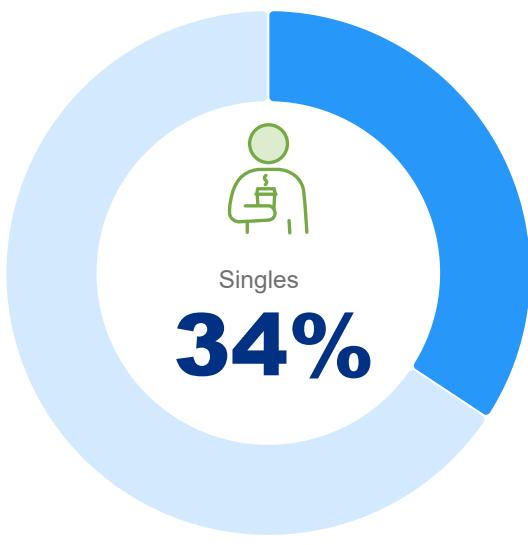
Municipalities must consider the dynamics of household types to plan for and provide services effectively. Household type also has a general correlation to income levels which affect the municipal tax base.



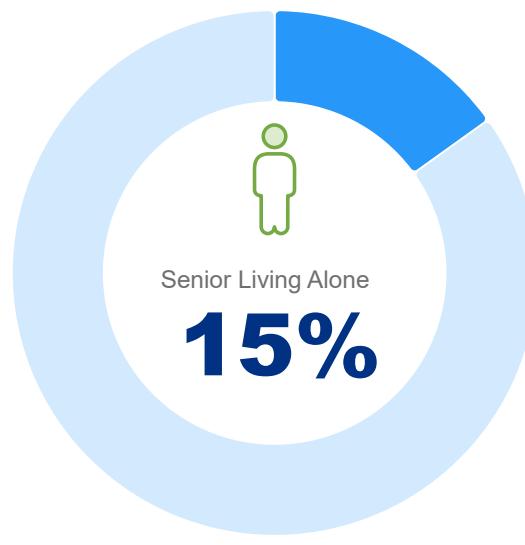
-22%
lower than state average



-21%
lower than state average



33%
higher than state average

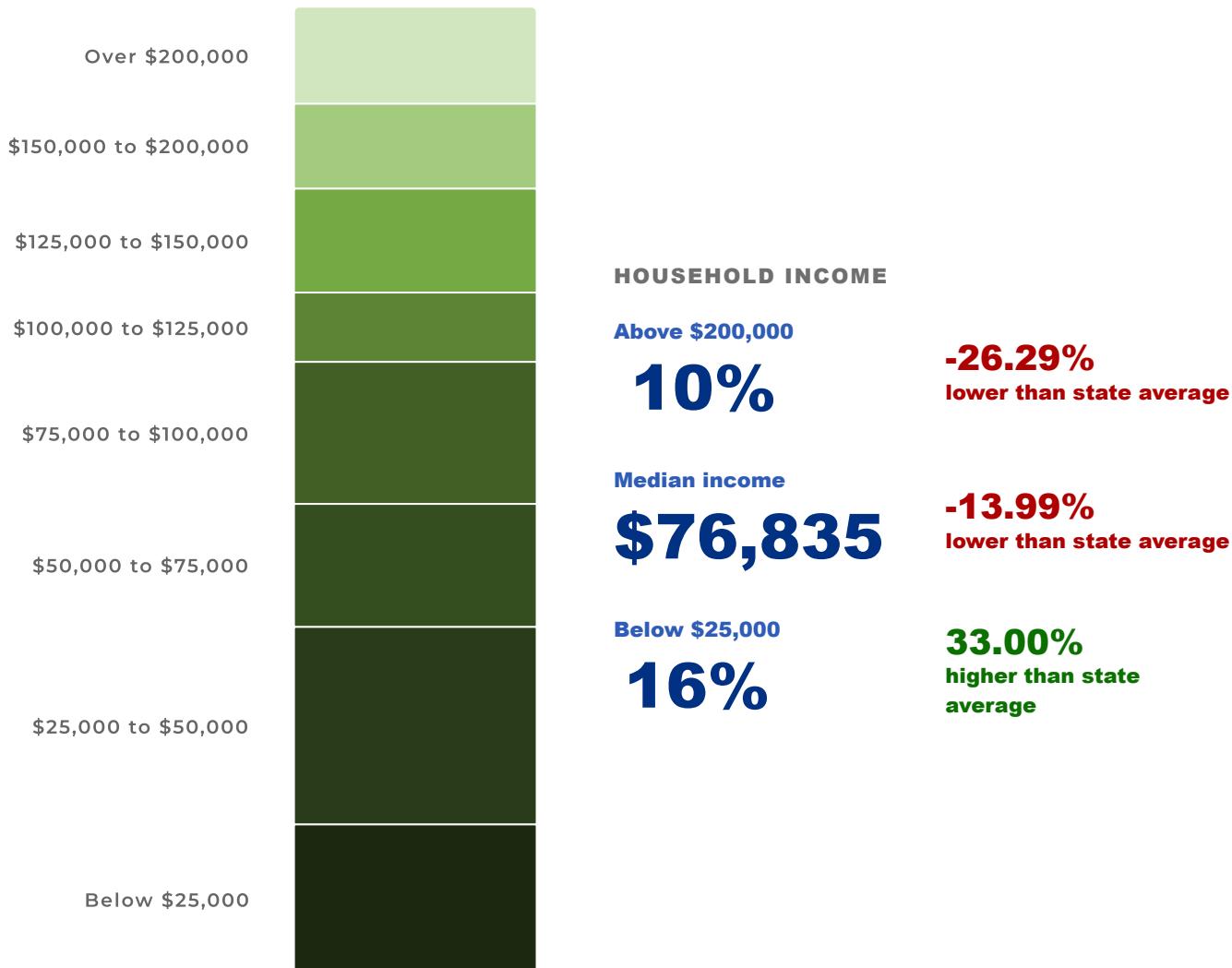


15%
higher than state average

* Data Source: American Community Survey 5-year estimates

Economic

Household income is a key data point in evaluating a community's wealth and spending power. Pay levels and earnings typically vary by geographic regions and should be looked at in context of the overall cost of living.



* Data Source: American Community Survey 5-year estimates

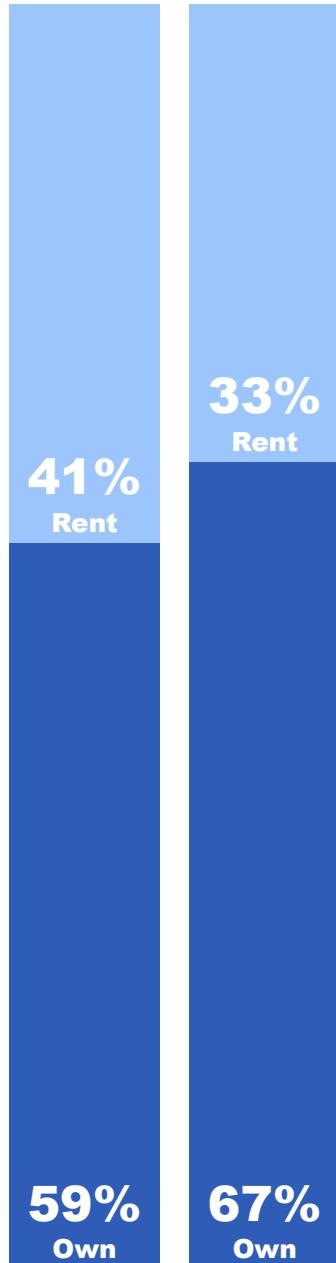
Housing



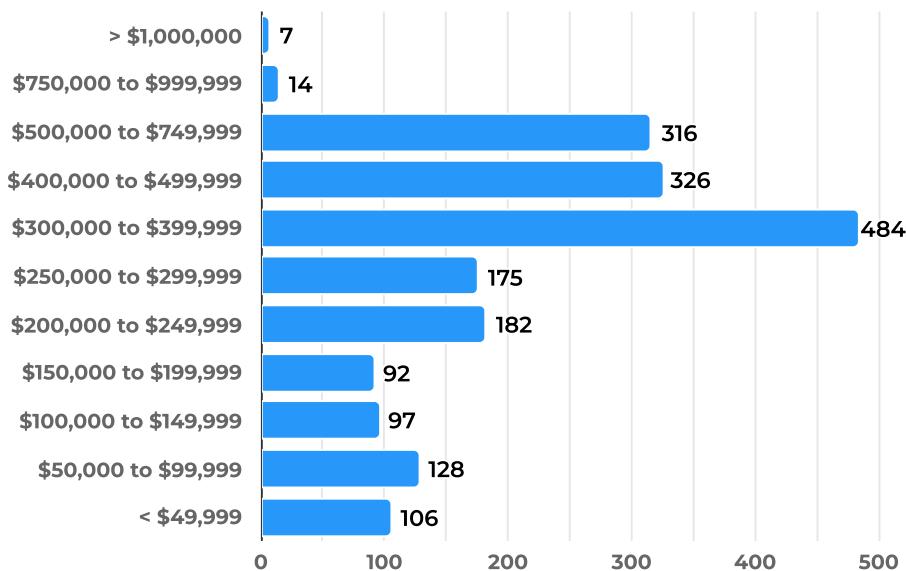
* Data Source: 2023 US Census Bureau, American Community Survey. Home value data includes all types of owner-occupied housing.

HOME OWNERS VS RENTERS

Ketchikan **State Avg.**



HOME VALUE DISTRIBUTION



* Data Source: 2023 US Census Bureau, American Community Survey. Home value data includes all types of owner-occupied housing.

* Data Source: 2023 US Census Bureau, American Community Survey. Home value data includes all types of owner-occupied housing.

Fund Summary for Ketchikan Public Utilities

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 2026, please refer to the "C" pages in the budget document.

KETCHIKAN PUBLIC UTILITIES

2026 Operating and Capital Budget - Revenues and Appropriation Summary

	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget
KPU Enterprise Fund					
Funds Available, January 1	25,882,587	20,964,576	20,964,576	24,684,644	22,484,289
Revenues:					
Electric	22,366,536	24,308,042	24,308,042	24,844,219	25,323,675
Telecommunications	20,002,857	20,549,000	20,549,000	20,106,719	21,700,240
Water	5,324,173	6,432,197	6,432,197	5,642,012	9,196,806
Other	1,992,906	202,900	202,900	1,264,050	202,900
Total Revenues	49,686,472	51,492,139	51,492,139	51,857,000	56,423,621
Appropriations:					
Administration	372,590	484,169	485,509	420,187	521,520
Sales, Marketing & Customer Service	3,141,036	3,868,358	3,763,933	3,771,066	4,114,506
Electric	22,952,659	26,690,683	26,888,658	24,453,658	31,243,094
Telecommunications	19,197,560	20,447,642	20,447,642	19,531,574	22,262,280
Water	4,970,570	7,868,645	7,868,645	5,630,870	10,774,466
Transfer to Facilities & Infrastructure Replacement Fund	250,000	250,000	250,000	250,000	250,000
Total Appropriations	50,884,415	59,609,497	59,704,387	54,057,355	69,165,866
Funds Available, December 31	24,684,644	12,847,218	12,752,328	22,484,289	9,742,044
	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget
KPU Facilities & Infrastructure Replacement Fund					
Funds Available, January 1	1,750,000	2,000,000	2,000,000	2,000,000	2,250,000
Revenues:					
Transfer from KPU Enterprise Fund	250,000	250,000	250,000	250,000	250,000
Total Revenues	250,000	250,000	250,000	250,000	250,000
Appropriations:					
Transfers to KPU Enterprise Fund	-	-	-	-	-
Total Appropriations	-	-	-	-	-
Funds Available, December 31	2,000,000	2,250,000	2,250,000	2,250,000	2,500,000
Total Funds Available December 31					12,242,044

KETCHIKAN PUBLIC UTILITIES

2026 Operating and Capital Budget - Summary of Expenditures for All Divisions

	Sales, Marketing &					Total
	General Manager	Customer Service	Electric	Telecom	Water	
Operating Costs:						
Personnel Services and Benefits	461,120	2,664,095	9,769,100	8,390,270	2,407,510	23,692,095
Supplies	2,090	117,650	8,583,200	980,250	367,057	10,050,247
Contract/Purchased Services	34,125	1,061,661	2,067,600	6,076,500	642,725	9,882,611
Minor Capital Outlay	2,300	40,900	37,500	27,500	8,100	116,300
Interdepartmental Charges	21,885	230,200	2,022,944	1,508,523	686,493	4,470,045
Operating Costs Before PILOT and Debt Service	521,520	4,114,506	22,480,344	16,983,043	4,111,885	48,211,298
Payment ii			516,837	279,687	266,926	1,063,450
Operating Costs Before Debt Service	521,520	4,114,506	22,997,181	17,262,730	4,378,811	49,274,748
Debt Service			1,044,213	744,050	990,973	2,779,236
Operating Costs Before Allocation of Overhead	521,520	4,114,506	24,041,394	18,006,780	5,369,784	52,053,984
Allocation of Overhead to Operating Utilities:						
General Manager	(521,520)		260,760	234,684	26,076	-
Sales, Marketing & Customer Service	-	(4,114,506)	1,069,772	2,880,154	164,580	-
Total Operating Costs	-	-	25,371,926	21,121,618	5,560,440	52,053,984
Major Capital Outlay			7,201,700	4,255,500	5,404,682	16,861,882
Total Expenditures	-	-	32,573,626	25,377,118	10,965,122	68,915,866
Transfer to KPU Facilities and Infrastructure Fund						250,000
Total Appropriations						69,165,866

KETCHIKAN PUBLIC UTILITIES

2026 Operating and Capital Budget - Summary of Funding by Operating Unit

	Total	Operating Revenues	Grants	Bonds/ Loans	Other	Drawdown Of Reserves
Electric:						
Operating Costs	23,810,876	23,810,876	-	-	-	-
Debt Service	1,044,213	1,044,213	-	-	-	-
Payment in Lieu of Taxes	516,837	468,586	-	-	48,251	-
Major Capital Outlay	7,201,700	-	-	-	53,199	7,148,501
Total	32,573,626	25,323,675	-	-	101,450	7,148,501
Telecommunications:						
Operating Costs	20,097,881	20,097,881	-	-	-	-
Debt Service	744,050	744,050	-	-	-	-
Payment in Lieu of Taxes	279,687	279,687	-	-	-	-
Major Capital Outlay	4,255,500	578,622	-	-	101,450	3,575,428
Total	25,377,118	21,700,240	-	-	101,450	3,575,428
Water:						
Operating Costs	4,302,541	4,302,541	-	-	-	-
Debt Service	990,973	990,973	-	-	-	-
Payment in Lieu of Taxes	266,926	266,926	-	-	-	-
Major Capital Outlay	5,404,682	823,085	-	2,813,281	-	1,768,316
Total	10,965,122	6,383,525	-	2,813,281	-	1,768,316
Facilities & Infrastructure Replacement	250,000	-	-	-	-	250,000
Total	69,165,866	53,407,440	-	2,813,281	202,900	12,742,245

KETCHIKAN PUBLIC UTILITIES

Compliance With Fund Balance Policy, Resolution No. 90-1645 and KPU Bond Covenants

Description	Amount
Operating Revenues:	
Electric	25,323,675
Telecommunication:	21,700,240
Water	6,383,525
Other	-
Total Operating Revenues	53,407,440
Operating Costs:	
Personnel Services and Benefits	23,692,095
Supplies	10,050,247
Contract/Purchased Services	9,882,611
Minor Capital Outlays	116,300
Interdepartmental Charges	4,470,045
Payment in Lieu of Taxes	1,063,450
Total Operating Costs	49,274,748
Net Revenue	4,132,692
Add Back Payment in Lieu of Taxes	1,063,450
Net Revenue Available for Debt Service	5,196,142
A. Compliance with Fund Balance Policy:	
Total Operating Costs	49,274,748
Reserve Requirement at 25 Percent of Total Operating Costs	12,318,687
Estimated Reserves, December 31, 2025	12,242,044
Over (Under) Reserve Requirement	(76,643)
B. Compliance with the Debt Service Coverage Requirements of Resolution No. 90-1645:	
Net Revenue Available for Debt Service	5,196,142
Debt Service	2,779,236
Debt Service Coverage (Required Debt Service Coverage: 1.50 - 2.0)	1.87
C. Compliance with the Debt Service Coverage Requirements of KPU's Bond Covenants:	
Net Revenue Available for Debt Service	5,196,142
Debt Service	2,779,236
Less Debt Not Subject to Bond Covenants	(990,973)
Debt Service Coverage (Required Debt Service Coverage: 1.25)	2.91

KETCHIKAN PUBLIC UTILITIES

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	96,840	10,278	107,118	-	-	-	-	100.00%	107,118	100.00%	107,118
ADEC #481061	62,362	8,182	70,544	-	-	-	-	100.00%	70,544	100.00%	70,544
ADEC #481051	294,692	38,665	333,357	-	-	-	-	100.00%	333,357	100.00%	333,357
ADEC #481091	5,507	723	6,230	-	-	-	-	100.00%	6,230	100.00%	6,230
ADEC #481121	12,965	1,701	14,666	-	-	-	-	100.00%	14,666	100.00%	14,666
ADEC #481141	33,547	5,553	39,100	-	-	-	-	100.00%	39,100	100.00%	39,100
ADEC #481041	30,359	6,372	36,731	-	-	-	-	100.00%	36,731	100.00%	36,731
ADEC #481081	261,139	122,088	383,227	-	-	-	-	100.00%	383,227	100.00%	383,227
Series X - Whitman	920,000	124,213	1,044,213	100.00%	1,044,213	-	-	-	-	-	1,044,213
Series Y - Subsea Fiber Cable	400,000	344,050	744,050	-	-	100.00%	744,050	-	-	-	744,050
Total	2,117,411	661,825	2,779,236	-	1,044,213	-	744,050	-	990,973	-	2,779,236

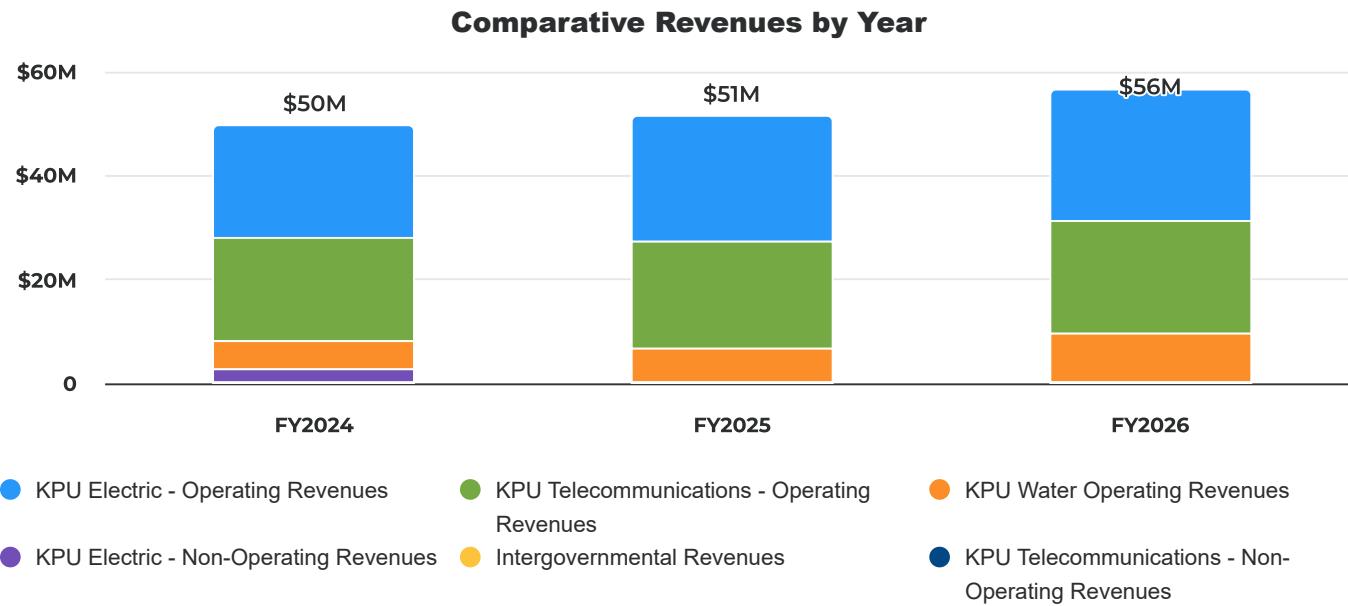
KETCHIKAN PUBLIC UTILITIES

Schedule of Current and Future Annual Debt Service

Year	Series W	Series W	Series W	Series W	Series W	Series W	Series Z	Series X	Series Y	Series Y	Undersea Cable	Total
	ADEC	ADEC	ADEC	ADEC	ADEC	ADEC	ADEC		ADEC	ADEC		
	481021	481061	481051	481091	481121	481141	481081		481041			
2026	107,118	70,544	333,357	6,230	14,666	39,100	383,227	1,044,213	36,731	744,050		2,779,236
2027	107,118	70,544	333,357	6,230	14,666	39,100	383,227	1,043,339	36,731	749,050		2,783,362
2028	107,118	70,544	333,357	6,230	14,666	39,100	383,227	1,044,101	36,731	747,800		2,782,874
2029	107,118	70,544	333,357	6,230	14,666	39,100	383,227	1,042,743	36,731	745,550		2,779,266
2030	107,118	70,544	333,357	6,230	14,666	39,100	383,227	1,043,812	36,731	747,300		2,782,085
2031	107,118	70,544	333,357	6,230	14,666	39,100	383,227	1,043,996	36,731	747,800		2,782,769
2032	107,115	70,544	333,357	6,230	14,666	39,100	383,227	1,047,776	36,731	752,050		2,790,796
2033		70,544	333,357	6,230	14,666	39,100	383,227		36,731	749,800		1,633,655
2034		35,272	166,678	3,115	7,333	39,100	383,227		36,731	747,000		1,418,456
2035						39,100	383,227		36,731	748,400		1,207,458
2036						19,552	383,227		36,731	748,800		1,188,310
2037							383,227		36,731	748,200		1,168,158
2038							383,227		36,731	751,600		1,171,558
2039							383,227			748,800		1,132,027
2040							383,227					383,227
2041							383,227					383,227
2042							383,227					383,227
2043							383,227					383,227
2044							383,227					383,227
	749,823	599,624	2,833,534	52,955	124,661	410,552	7,281,313	7,309,980	477,503	10,476,200		30,316,145

KPU Revenues

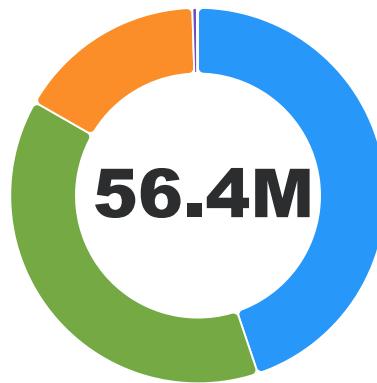
Operating revenues for utility services in the amount of \$56.42 million have been programmed for 2026. The table below identifies the major revenue sources by operating utility.



The total KPU Revenues for 2026 are budgeted at \$54.67 million, reflecting a 6.17% increase from the previous year's total of \$51.5 million. The largest revenue category remains KPU Electric - Operating Revenues, which accounts for 46.28% of the total at \$25.3 million. This category increased by \$1 million, or 4.18%, compared to 2025.

KPU Water Operating Revenues show the most significant growth, rising by \$2.8 million or 44.03% to \$9.2 million, now representing 16.75% of total revenues. In contrast, KPU Telecommunications - Operating Revenues decreased by \$603,760, or 2.94%, to \$19.9 million, reducing its share to 36.47% of the total.

Non-operating revenues for KPU Electric remain steady at \$227,900, making up 0.42% of total revenues with no change from the prior year. Intergovernmental Revenues declined by \$34,750, or 46.49%, to \$40,000, now constituting 0.07% of the total. KPU Telecommunications - Non-Operating Revenues remain unchanged at \$5,000, representing 0.01% of total revenues.

2026 KPU Revenues

● KPU Electric - Operating Revenues	\$25,298,675	44.84%
● KPU Telecommunications - Operating Revenues	\$21,695,240	38.45%
● KPU Water Operating Revenues	\$9,156,806	16.23%
● KPU Electric - Non-Operating Revenues	\$227,900	0.40%
● Intergovernmental Revenues	\$40,000	0.07%
● KPU Telecommunications - Non-Operating Revenues	\$5,000	0.01%

The 2026 KPU Revenues consist of \$25.3 million from KPU Electric - Operating Revenues, representing 44.9% of the total. KPU Telecommunications - Operating Revenues contribute \$21.7 million, or 38.5%. KPU Water Operating Revenues account for \$9.2 million, which is 16.3% of the revenues. KPU Electric - Non-Operating Revenues add \$227,900, making up 0.42%. Intergovernmental Revenues total \$40,000, or 0.07%, and KPU Telecommunications - Non-Operating Revenues are \$5,000, representing 0.01% of the total.

The table below identifies the revenue sources by operating utility.

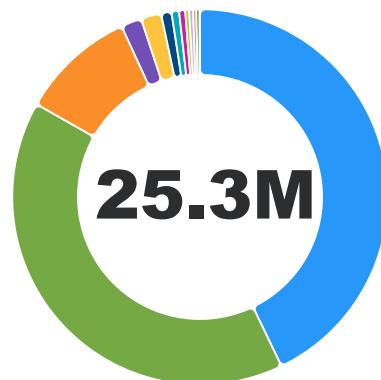
Revenues by Utility**Revenues by Utility**

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
INTERGOVERNMENTAL REVENUES	91,163	74,750	74,750	48,402	40,000	-34,750	-46.49%
ELECTRIC REVENUES	21,741,078	24,283,042	24,283,042	24,109,526	25,298,675	1,015,633	4.18%
WATER REVENUES	5,234,286	6,357,447	6,357,447	5,593,597	9,156,806	2,799,359	44.03%
REGULATED REVENUES	10,109,073	11,552,000	11,552,000	11,550,060	11,336,640	-215,360	-1.86%
NON-REGULATED REVENUES	9,771,757	8,992,000	8,992,000	8,550,907	10,358,600	1,366,600	15.20%
OTHER KPU REVENUES	2,750,712	232,900	232,900	2,004,508	232,900	-	0.00%
Total Revenues	49,698,069	51,492,139	51,492,139	51,857,000	56,423,621	4,931,482	9.58%

The increase in Water Operating Revenue is mostly due to the increased use of bond capacity in the amount of \$2,000,000. The remaining increase is due to an 8.0% rate increase and the additional revenue associated with the implementation of a public restroom rate and the reinstated hydrant revenue for public hydrants.

Electric Revenues by Major Category

2026 Electric Revenues



●	Electric Revenues Residential Electric Services	\$10,843,680	42.86%
●	Electric Revenues Business Electric Services	\$10,211,250	40.36%
●	Electric Revenues Industrial Electric Services	\$2,509,500	9.92%
●	Electric Revenues Small Boat Electric Services	\$447,360	1.77%
●	Electric Revenues Large Commercial Demand	\$443,785	1.75%
●	Electric Revenues Industrial Demand	\$225,425	0.89%
●	Electric Revenues Pole Rental - Interdepartmental	\$163,600	0.65%
●	Electric Revenues City Street Lights	\$133,775	0.53%
●	Electric Revenues Service Charges	\$85,000	0.34%
●	Electric Revenues Yard Lights	\$84,600	0.33%
●	Electric Revenues Pole Rental - External	\$73,700	0.29%
●	Electric Revenues Penalties	\$68,000	0.27%
●	Electric Revenues Other Electric Revenues	\$9,000	0.04%

Electric Revenue Detail

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
Electric Revenues Residential Electric Services	9,351,806	10,443,422	10,443,422	10,370,300	10,843,680	400,258	3.83%
Electric Revenues Small Boat Electric Services	389,919	440,510	440,510	431,175	447,360	6,850	1.56%
Electric Revenues Business Electric Services	8,647,555	9,629,528	9,629,528	9,719,630	10,211,250	581,722	6.04%
Electric Revenues Industrial Electric Services	2,164,109	2,538,557	2,538,557	2,372,407	2,509,500	-29,057	-1.14%
Electric Revenues Yard Lights	67,120	73,215	73,215	77,242	84,600	11,385	15.55%

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
Electric Revenues Large Commercial Demand	379,100	380,025	380,025	421,386	443,785	63,760	16.78%
Electric Revenues City Street Lights	133,462	132,900	132,900	134,085	133,775	875	0.66%
Electric Revenues Industrial Demand	196,908	225,585	225,585	206,662	225,425	-160	-0.07%
Electric Revenues Service Charges	102,694	100,000	100,000	88,514	85,000	-15,000	-15.00%
Electric Revenues Penalties	94,178	73,000	73,000	73,000	68,000	-5,000	-6.85%
Electric Revenues Pole Rental - External	54,007	73,700	73,700	50,000	73,700	-	0.00%
Electric Revenues Pole Rental - Interdepartmental	159,789	163,600	163,600	163,575	163,600	-	0.00%
Electric Revenues Other Electric Revenues	26	9,000	9,000	1,550	9,000	-	0.00%
Electric Revenues Surveillance & Trouble Call Svcs	405	-	-	-	-	-	-
Total Revenues	21,741,078	24,283,042	24,283,042	24,109,526	25,298,675	1,015,633	4.18%

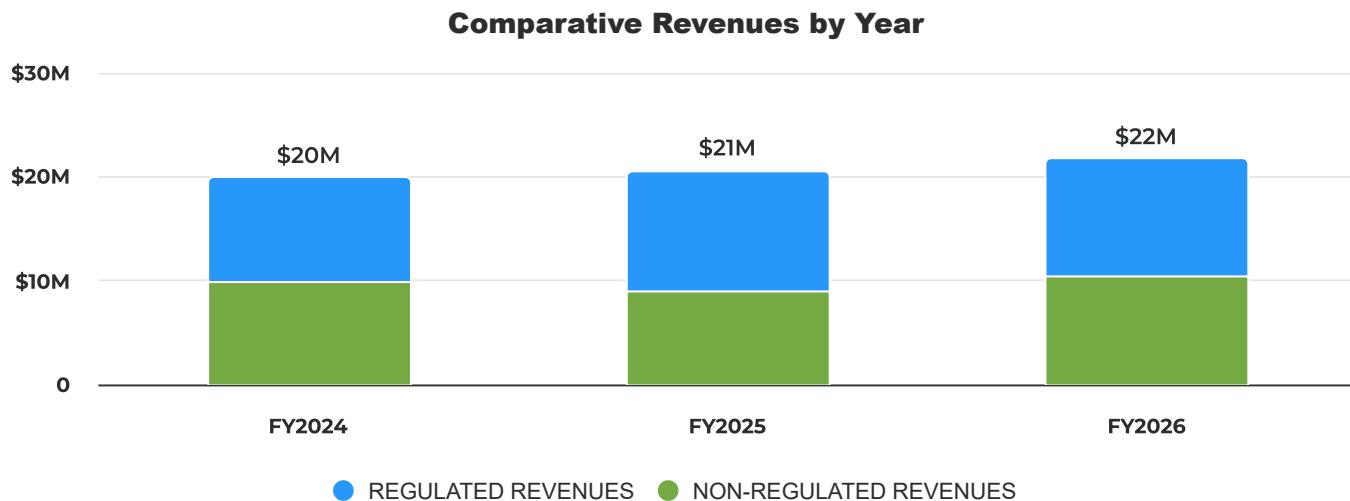
Electric Revenues: The projection for 2026 electric utility revenues is based on a two-year average of energy sales and the projected average electric revenues per kWh, adjusted prior-year rate increases and current year programmed rate increases, new loads and other trends such as conversions from heating fuel to electric heat. There are four variables that can significantly affect the consumer demand for energy and revenue projections.

- Cold temperatures and high winds increase the demand for electricity. 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. **An 8.0% rate increase has been programmed into the 2026 budget per the 2026 Budget Work Session. The Electric Division is in the process of completing a rate review. This review could warrant an adjustment to the 8.0% increase proposed in the 2026 Budget.** Staff will present the results of the rate review as soon as they are available.

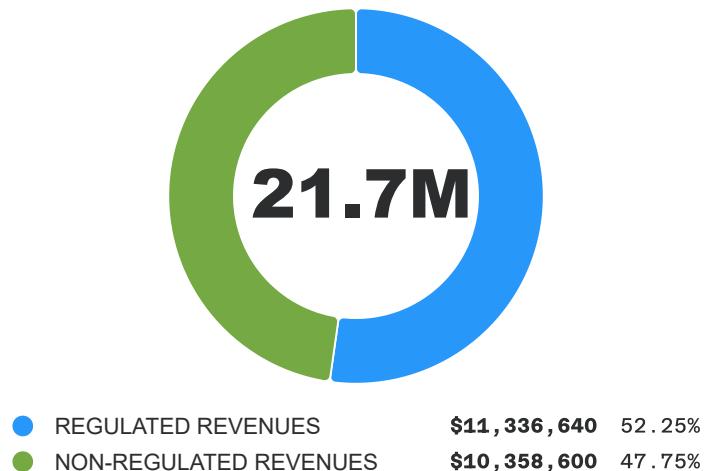
Several Electric Division projects have been deferred since 2020 due to staffing and funding. If the division utilizes bond funding to complete the projects included in the 2026-2030 Capital Improvement Program, estimated to cost \$86.25 million, the debt service for those projects is estimated to cost \$7.5 million. The Electric Division would need increase revenues \$5.5 million or 21% to cover the additional debt service as long as the new debt is not obligated until completion of the current Electric Division debt that matures in 2032.

In 2024, the electric utility sold 176,366 MWh of energy. The estimate for 2025 is 178,914 MWh and the projection for 2026 is 178,200 MWh. The revenue forecast for 2026 is based on a two-year average of consumption. The table above shows the projected operating revenues of the Electric Division.

Telecom Revenues by Major Category



2026 Telecom Revenues by Major Category



Telecom Revenue Category

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
REGULATED REVENUES	10,109,073	11,552,000	11,552,000	11,550,060	11,336,640	-215,360	-1.86%
NON-REGULATED REVENUES	9,771,757	8,992,000	8,992,000	8,550,907	10,358,600	1,366,600	15.20%
Total Revenues	19,880,830	20,544,000	20,544,000	20,100,967	21,695,240	1,151,240	5.60%

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, wireless and sales of Hosted PBX systems. The table below provides the operating revenues of the Telecommunications Division.

Revenues from local network services and network access services are projected to remain consistent in 2026 due to the Alaska Connect Fund fixed provider support. The Alaska Connect Fund was established to “ensure continued support for the advancement of mobile and fixed broadband service in Alaska”, per the FCC Report and Order. The Alaska Connect Fund will help stabilize network access revenues through the end of 2028, while the wireless and internet protocol services fluctuate as a result of the elimination of IPTV services.

Telecom will look to stabilize internet protocol (IP) revenues by offering new products, technologies and services in order to attract new customers and retain existing customers. Now that IPTV services have been eliminated, as a result of the nationwide trend to switch to broadband-only services, the packaging of internet services will be key to ensure Telecom is providing broadband services for customers to be able to utilize video streaming services. In preparation for increased video streaming and demand, Telecom installed an undersea fiber cable that was placed in service in October 2020. The undersea fiber cable increases 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 2026.

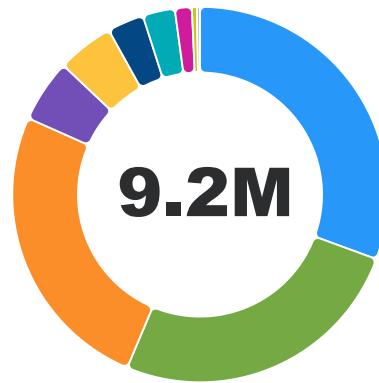
Since its rollout in 2014, revenues from 4G/LTE services have grown rapidly and have become a major product line for the telecommunications utility. The number of customers using the telecommunication utility's 4G/LTE networks servicing the Ketchikan and Skagway markets continues to expand. Growth in cruise ship passenger traffic has also increased the demand for KPU 4G/LTE services. These revenues will remain stable through 2027, the period covered by the present agreement.

Telecom Operating Revenue

Telecommunications Revenues	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget
Local Network Services					
Business & Residential	641,591	612,000	612,000	623,295	591,000
Local Special Circuits	1,210,348	1,253,000	1,253,000	1,428,358	1,356,000
Other Local Revenue	99,399	82,000	82,000	81,734	73,740
Total Local Revenue	1,951,338	1,947,000	1,947,000	2,133,387	2,020,740
Network Access Services					
Interstate Flat Rate End User	563,720	541,000	541,000	556,747	527,900
Interstate Access Charges	4,684,872	5,910,000	5,910,000	5,940,070	5,896,000
Interstate Special Access Charges	1,989,028	2,257,000	2,257,000	2,052,910	2,095,000
Intrastate Access Charges	780,499	760,000	760,000	766,040	750,400
Total Network Access Services Revenue	8,018,119	9,468,000	9,468,000	9,315,767	9,269,300
Miscellaneous					
Directory Revenue	88,589	85,000	85,000	55,000	-
Miscellaneous Revenue	51,036	52,000	52,000	51,665	51,600
Total Miscellaneous Revenue	139,625	137,000	137,000	106,665	51,600
Nonregulated & Other Revenue					
Customer Premise Eq Sales/Service	13,761	11,000	11,000	12,400	9,000
Long Distance Revenue	123,068	124,000	124,000	128,000	129,500
IP Network	6,665,232	6,260,000	6,260,000	5,873,000	7,650,000
4G LTE	2,874,343	2,500,000	2,500,000	2,456,000	2,510,000
Miscellaneous	217,371	102,000	102,000	81,500	60,100
Total Nonregulated & Other Revenue	9,893,775	8,997,000	8,997,000	8,550,900	10,358,600
Total Telecommunications Revenue	20,002,857	20,549,000	20,549,000	20,106,719	21,700,240

Water Revenues

2026 Water Revenues



Water Revenues Bond Proceeds	\$2,813,281	30.59%
Water Revenues Residential Water Services	\$2,367,535	25.74%
Water Revenues Business Water Services	\$2,329,275	25.33%
Water Revenues Apartment Water Services	\$496,500	5.40%
Water Revenues Cannery Water Services	\$449,635	4.89%
Water Revenues Fire Hydrant Services	\$287,900	3.13%
Water Revenues Port Water Services	\$254,100	2.76%
Water Revenues Industrial Water Services	\$134,580	1.46%
Intergovernmental Revenues AK Dept of Rev-Raw Fish Tax (Op)	\$40,000	0.43%
Water Revenues Penalties	\$23,000	0.25%
Water Revenues Other Water Revenues	\$1,000	0.01%

Water Revenue Detail

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
Intergovernmental Revenues AK Dept of Rev-Raw Fish Tax (Op)	91,163	74,750	74,750	48,402	40,000	-34,750	-46.49%
Water Revenues Residential Water Services	2,215,151	2,357,532	2,357,532	2,233,390	2,367,535	10,003	0.42%
Water Revenues Apartment Water Services	463,345	492,652	492,652	468,375	496,500	3,848	0.78%
Water Revenues Business Water Services	1,804,803	1,910,642	1,910,642	1,886,350	2,329,275	418,633	21.91%
Water Revenues Industrial Water Services	119,387	126,976	126,976	124,870	134,580	7,604	5.99%
Water Revenues Cannery Water Services	402,702	428,164	428,164	419,835	449,635	21,471	5.01%
Water Revenues Fire Hydrant Services	35,106	36,700	36,700	135,410	287,900	251,200	684.47%

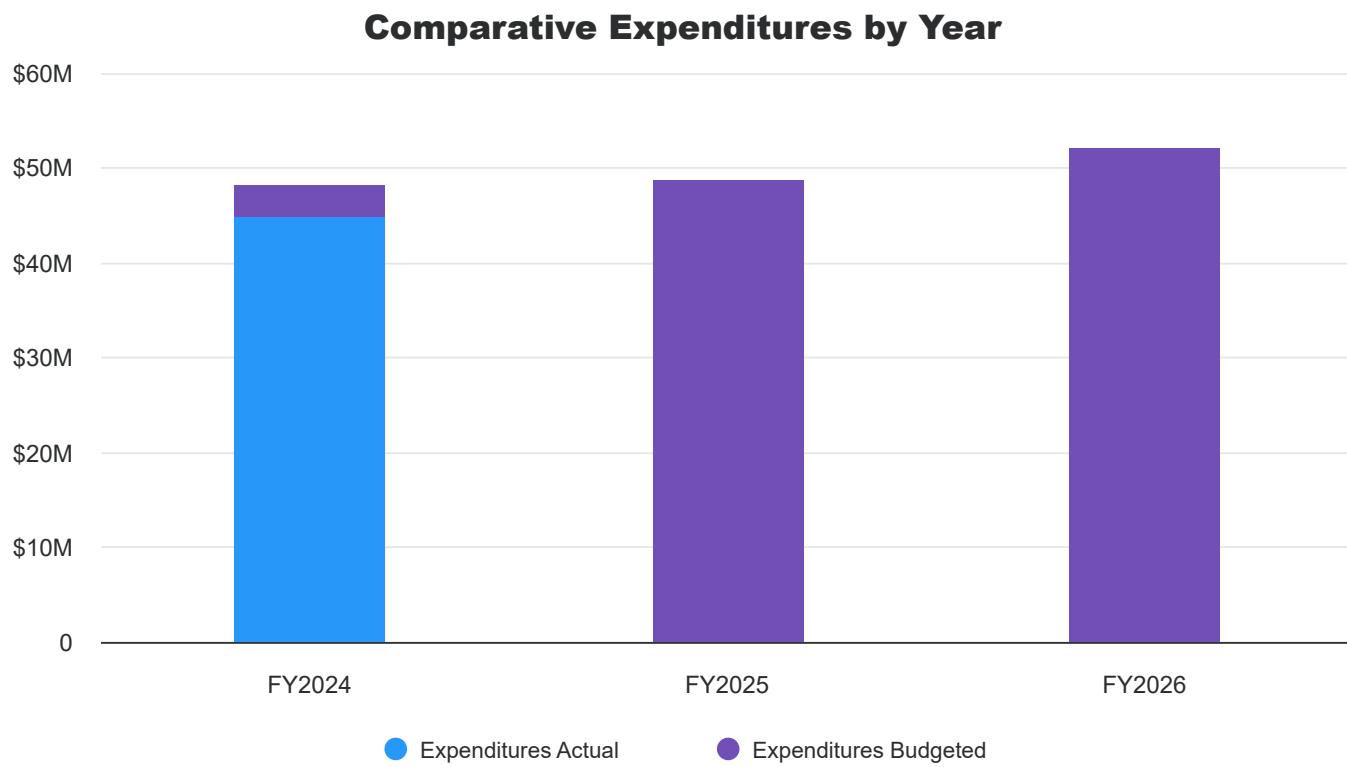
Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
Water Revenues Port Water Services	123,840	167,500	167,500	254,000	254,100	86,600	51.70%
Water Revenues Service Charges	912	-	-	570	-	-	-
Water Revenues Penalties	25,308	23,000	23,000	13,052	23,000	-	0.00%
Water Revenues Other Water Revenues	5,845	1,000	1,000	57,745	1,000	-	0.00%
Water Revenues Bond Proceeds	37,887	813,281	813,281	-	2,813,281	2,000,000	245.92%
Total Revenues	5,325,449	6,432,197	6,432,197	5,641,999	9,196,806	2,764,609	42.98%

Water Revenues: An 8.0% rate increase has been programmed into the 2026 budget per the 2026 Budget Work Session.

Session. Additional increases above the 8.0% are attributable to the implementation of a public restroom rate and the reinstated hydrant revenue for public hydrants used by the Fire Department. The table above shows the operating revenues of the Water Division.

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 2026, the City is projecting an annual payment of \$175,000 and, under the current formula, the water utility will receive \$40,000. The amount paid by the State of Alaska is based on market value and the size of the seafood harvest.

KPU Operating Expenditures by Category



The KPU Operating Expenditures for 2026 Budget include Personnel Services and Benefits at \$23.7 million, representing 45.51% of the total. Fuels, Lubricants, and Energy Costs account for \$7.6 million or 14.62%. Interdepartmental Charges are \$4.5 million, making up 8.59%, while Rents and Leases total \$3.5 million or 6.65%. Debt Service amounts to \$2.8 million, which is 5.34% of the expenditures. Contractual Services are \$2.4 million, representing 4.67%, and General Supplies are \$2.2 million or 4.23%. Professional Services account for \$1.3 million, or 2.56%, Utilities are \$1.1 million at 2.2%, and Other Costs also total \$1.1 million, comprising 2.04% of the expenditures. Nine smaller categories are not included in this summary.

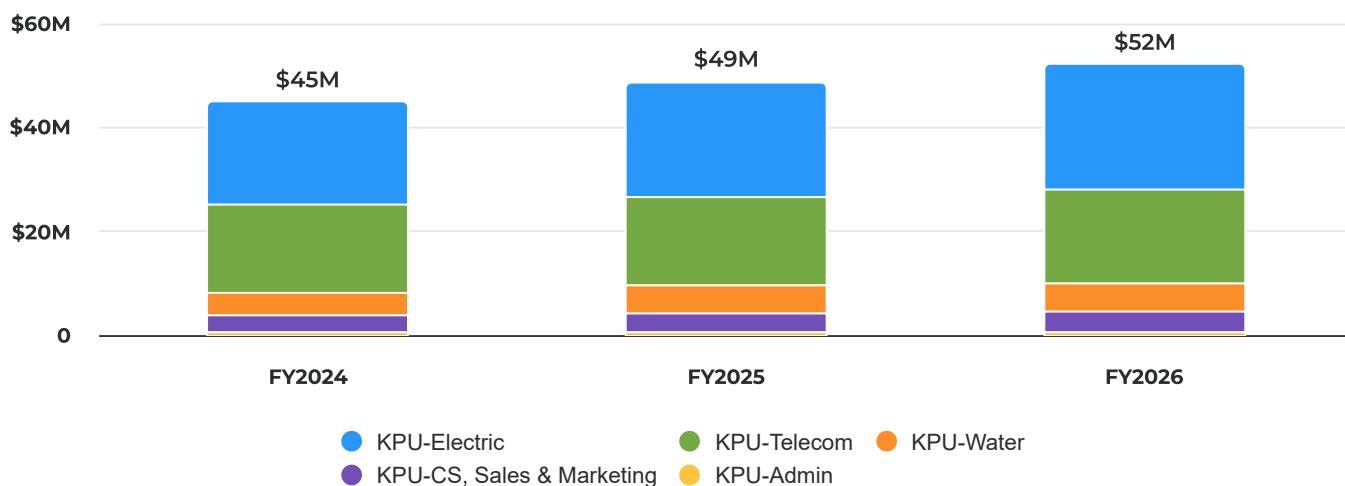
KPU Operating Expenditures by Category

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
PERSONNEL SERVICES AND BENEFITS	18,315,518	21,621,013	21,483,677	20,062,760	23,692,095	2,071,082	9.58%
GENERAL SUPPLIES	1,636,271	2,036,400	2,283,493	2,174,550	2,204,425	168,025	8.25%
POSTAGE AND FREIGHT	167,102	200,200	206,200	190,200	192,200	-8,000	-4.00%
FUELS/LUBRICANTS/ENERGY COSTS	8,507,728	7,615,000	7,615,050	7,572,050	7,612,100	-2,900	-0.04%
BOOKS AND PERIODICALS	4,774	7,052	8,072	8,072	7,572	520	7.37%
ALLOWANCES	24,459	33,950	34,450	33,450	33,950	-	0.00%
TRAVEL AND EDUCATION	198,702	301,600	308,400	285,150	314,200	12,600	4.18%
ADVERTISING AND PUBLISHING	290,479	294,250	294,250	284,350	294,250	-	0.00%
PROMOTION AND GRANTS	200,850	13,000	13,000	13,000	13,000	-	0.00%
DUES AND MEMBERSHIPS	95,709	114,025	114,925	113,625	114,350	325	0.29%
PERMITS, LICENSES AND FEES	1,594,396	591,810	802,910	731,660	777,910	186,100	31.45%
CONTRACTUAL SERVICES	1,882,626	2,368,000	2,380,050	2,357,050	2,430,700	62,700	2.65%

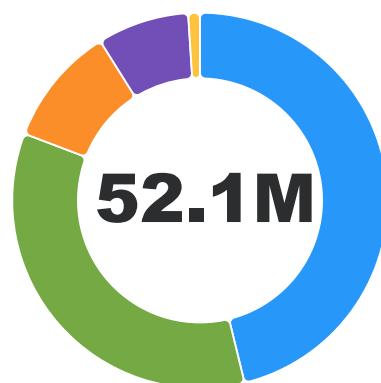
Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
PROFESSIONAL SERVICES	1,010,362	1,263,000	1,259,830	1,252,630	1,330,400	67,400	5.34%
RENTS AND LEASES	2,974,322	3,281,500	3,293,500	3,273,500	3,460,677	179,177	5.46%
UTILITIES	981,252	1,109,049	1,081,999	1,017,896	1,147,124	38,075	3.43%
MINOR CAPITAL OUTLAY	66,790	108,500	117,400	98,950	116,300	7,800	7.19%
INTERDEPARTMENTAL CHARGES	3,524,575	4,264,185	4,284,885	3,824,382	4,470,045	205,860	4.83%
DEBT SERVICE	2,580,301	2,784,929	2,787,930	2,787,930	2,779,236	-5,693	-0.20%
OTHER COSTS	786,000	786,000	786,000	786,000	1,063,450	277,450	35.30%
Total Expenditures	44,842,216	48,793,463	49,156,021	46,867,205	52,053,984	3,260,521	6.68%

2026 Operating Expenditures by Division

Comparative Operating Expenditures by Division



2026 Operating Expenditures by Division



● KPU-Electric	\$24,041,394	46.19%
● KPU-Telecom	\$18,006,780	34.59%
● KPU-Water	\$5,369,784	10.32%
● KPU-CS, Sales & Marketing	\$4,114,506	7.90%
● KPU-Admin	\$521,520	1.00%

Expenditures by Division

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
KPU-Admin	366,228	464,169	465,509	419,857	521,520	57,351	12.36%
KPU-CS, Sales & Marketing	3,340,294	3,868,358	3,960,683	3,771,066	4,114,506	246,148	6.36%
KPU-Electric	19,752,494	22,294,658	22,494,658	20,889,004	24,041,394	1,746,736	7.83%
KPU-Telecom	16,920,253	17,021,142	17,090,035	16,884,408	18,006,780	985,638	5.79%
KPU-Water	4,462,947	5,145,136	5,145,136	4,902,870	5,369,784	224,648	4.37%
Total Expenditures	44,842,216	48,793,463	49,156,021	46,867,205	52,053,984	3,260,521	6.68%

The main driver of the \$3.26 million increase in operating expenditures is Personnel Wages and Benefits, which increased \$2.07 million in 2026.

The electric utility is projecting that in 2026, its operating expenditures will increase \$1.75 million from 2025. Approximately \$422,000 of the increase is due to a 5.0% COLA for the non-represented and KPU IBEW personnel, causing wages and percentage-based benefits to increase personnel services and benefits. Approximately \$970,000 is due to the inclusion of positions that remained in the budget for FTE purposes but were left 50% funded due to vacancy duration. The electric utility has been successful in filling all of its lineman positions in 2026, but some vacancies still exist. Should the Council choose to continue partial funding of certain positions, staff can bring back a budget update to achieve this. The remaining increase of \$355,000 is due to the increase in payments in lieu of taxes, utility increases, interdepartmental services and operating supplies. Now that the lineman positions are filled, staff will be using more maintenance materials while they perform regular maintenance.

The telecommunications utility is projecting an increase of approximately \$986,000 in its operating expenditures from 2025. Approximately \$543,000 of this increase is due to a 5.0% COLA for the non-represented and IBEW personnel, increasing wages and percentage-based benefits. The remaining increase of \$443,000 is due to the increase in payments in lieu of taxes, interdepartmental services and rents and leases.

The water utility is projecting an increase of about \$225,000 in operating expenditures from 2025. Approximately \$85,000 of the increase is due to a 5.0% COLA for the non-represented and KPU IBEW personnel, causing wages and percentage-based benefits to increase personnel services and benefits. The remaining \$140,000 is due to increases in payments in lieu of taxes, interdepartmental services, contract services and operating supplies.

The sales, marketing and customer service division's operating expenditures are programmed to increase by \$246,168 from the amount appropriated in 2025. Approximately \$64,000 of the increase is due to the 5.0% COLA for the non-represented and KPU IBEW personnel, causing wages and percentage-based benefits to increase personnel services and benefits. The remaining \$182,168 is due to increases in credit card processing fees and interdepartmental services.

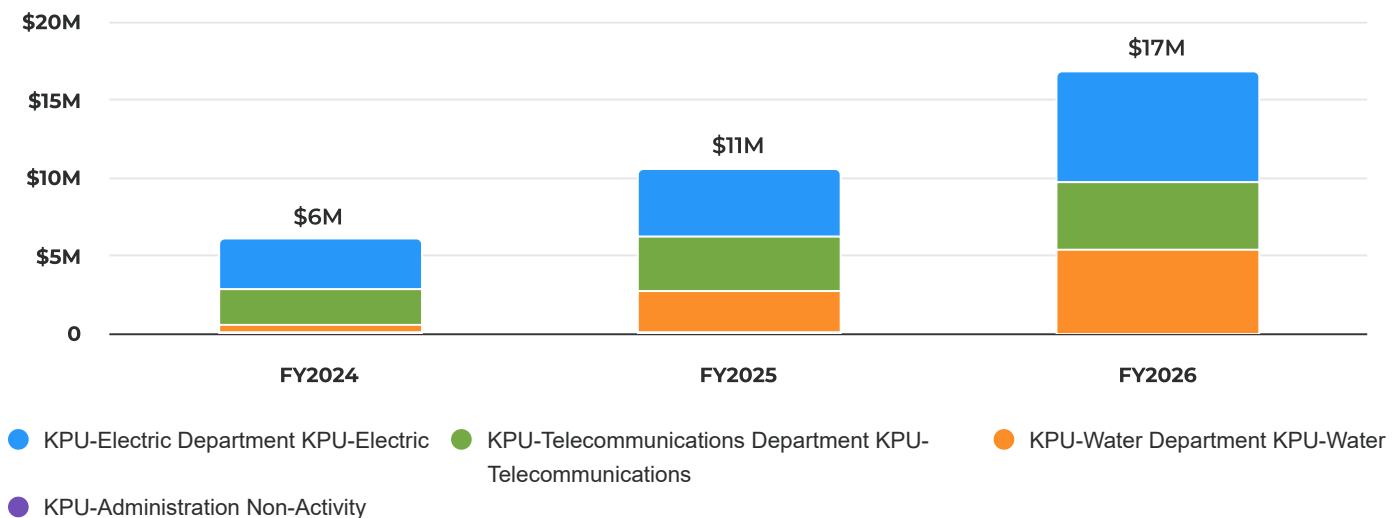
The cost of operations for the General Manager and the Sales, Marketing and Customer Service Divisions have been allocated to the operating utilities. This allocation can be seen on the C-pages -Summary of Expenditures - All Divisions.

Capital Project Summary

The amount of capital appropriations requested for 2026 is \$16.86 million. The tables below provide the major capital outlay by utility.

2026 Major Capital Outlay by Utility

Comparative Expenditures by Year



2026 Major Capital Outlay by Utility



● KPU-Electric Department KPU-Electric	\$7,201,700	42.71%
● KPU-Water Department KPU-Water	\$5,404,682	32.05%
● KPU-Telecommunications Department KPU-Telecommunications	\$4,255,500	25.24%

The 2026 Major Capital Outlay for KPU is divided among the three utilities. The KPU-Electric Department accounts for \$7.2 million, representing 42.7% of the total expenditures. The KPU-Water Department follows with \$5.4 million, which is 32.1% of the expenditures. Lastly, the KPU-Telecommunications Department comprises \$4.3 million, making up 25.2% of the total 2026 expenditures.

Expenditures by Detail Activity

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
KPU-Administration Non-Activity	6,362	20,000	20,000	330	-	-20,000	-100.00%

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
KPU-Electric Department KPU-Electric	3,270,709	4,394,000	4,394,000	3,564,654	7,201,700	2,807,700	63.90%
KPU-Telecommunications Department KPU-Telecommunications	2,277,307	3,426,500	3,359,665	2,647,165	4,255,500	829,000	24.19%
KPU-Water Department KPU-Water	511,556	2,723,509	2,723,509	728,000	5,404,682	2,681,173	98.45%
Total Expenditures	6,065,934	10,564,009	10,497,174	6,940,149	16,861,882	6,297,873	59.62%

Overall, the utility's assets totaling \$274 million are depreciated 63.2%. The depreciation for 2024 was \$7.8 million showing that KPU is not maintaining assets at the same level as the assets are depreciating. The utility should be spending an amount equal to depreciation on repair and replacements and depositing funds into a capital replacement account to fund replacements for large assets when needed. An alternative to putting funds into a capital project reserve is to fund projects through debt. The revenues needed to fund the additional debt is approximately \$9.6 million

The Council directed staff to address electric infrastructure. The electric utility has some infrastructure that can be replaced annually, but its hydro facilities and generators would require a reserve in excess of \$78.9 million to replace them. A large share of the telecommunications utility assets can be replaced via an annual repair and replacement, but it is important to keep the telecom assets up-to-date due to the competitiveness in the industry and 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. The water utility has not received a State grant since 2015. This means the water utility must utilize low-interest loans to fund much-needed replacements.

Below is a list of the utility assets and their depreciated status:

- o Electric assets –
 - o Distribution assets are depreciated 78%
 - o Bailey assets are depreciated 86%
 - o Beaver Falls assets are depreciated 72%
 - o Silvis assets are depreciated 64% - Emergency repair in 2024
 - o Ketchikan Lakes assets are depreciated 68%
 - o Whitman assets (placed in service in 2014) are depreciated 21%
 - o General assets are depreciated 88%
- o Telecom assets –
 - o Regulated (general support, central office, cable & wire facilities) assets are depreciated 79%
 - o Non-regulated (transport, WIFI and internet protocol) assets are depreciated 53%
- o Water assets –
 - o Reservoirs and dam assets are depreciated 71%
 - o Iron water main assets are depreciated 55%

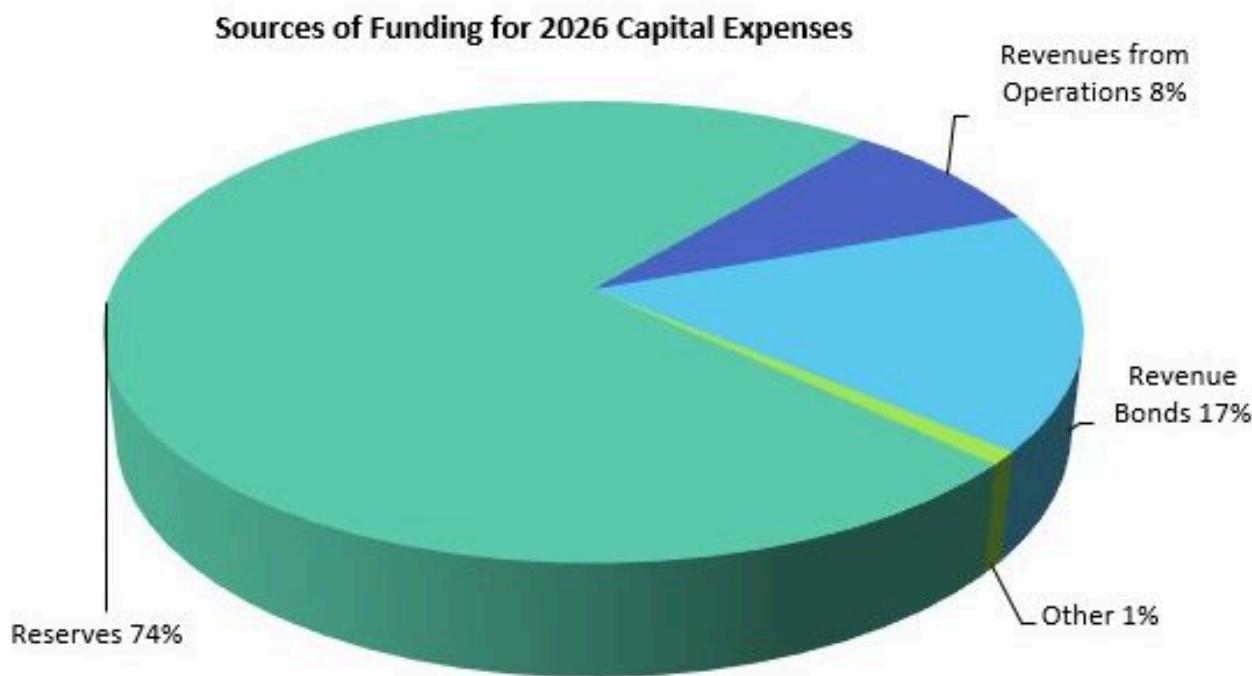
Capital Expenditures by Utility and Asset Category**2026 Capital Expenditures by Utility**

● KPU-Electric Department	\$7,201,700	42.71%
● KPU-Water Department	\$5,404,682	32.05%
● KPU-Telecommunications Department	\$4,255,500	25.24%

Capital Expenditures by Utility

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
KPU-Administration	6,362	20,000	20,000	330	-	-20,000	-100.00%
Software General	6,362	20,000	20,000	330	-	-20,000	-100.00%
KPU-Electric Department	3,270,709	4,394,000	4,394,000	3,564,654	7,201,700	2,807,700	63.90%
Buildings General	-	50,000	50,000	-	375,000	325,000	650.00%
Vehicles & Moving Equipment General	186,143	60,000	60,000	50,000	185,000	125,000	208.33%
Machinery & Equipment General	491,114	2,200,000	2,155,000	1,775,654	2,431,700	231,700	10.53%
Capital Projects Infrastructure & Plant	2,593,452	2,084,000	2,129,000	1,739,000	4,210,000	2,126,000	102.02%
KPU-Telecommunications Department	2,277,307	3,426,500	3,359,665	2,647,165	4,255,500	829,000	24.19%
Buildings General	7,105	100,000	100,000	96,000	125,000	25,000	25.00%
Vehicles & Moving Equipment General	300,364	-	-	-	150,000	-	-
Machinery & Equipment General	70,852	100,000	88,000	88,000	-	-100,000	-100.00%
Machinery & Equipment Computers, Printers & Copiers	86,366	75,000	75,000	74,000	75,000	-	0.00%
Capital Projects Infrastructure & Plant	1,812,620	3,151,500	3,096,665	2,389,165	3,905,500	754,000	23.93%
KPU-Water Department	511,556	2,723,509	2,723,509	728,000	5,404,682	2,681,173	98.45%
Vehicles & Moving Equipment General	84,708	-	-	85,000	175,000	-	-
Capital Projects Infrastructure & Plant	426,848	2,723,509	2,723,509	643,000	5,229,682	2,506,173	92.02%
Total Expenditures	6,065,934	10,564,009	10,497,174	6,940,149	16,861,882	6,297,873	59.62%

Source of Capital Funding



Future Capital Needs

The capital needs for the next five years are projected to cost \$198 million. As seen on page C-5, the reserve balance is not sufficient to continue funding KPU's annual capital outlay. **We must start planning for additional debt or significant increases in revenues to fund our capital needs.**

The total projected KPU debt-financed projects is \$120,171,281. If the Council would like to move forward with these projects, the voters will need to approve this debt. Once debt is approved, we would need to start the three-to-six-month process to apply for a debt issuance with the Alaska Municipal Bond Bank Authority (AMBBA). The AMBBA will review KPU's ability to pay for the required debt service. If approved, the debt service estimate would be \$9.6 million, not including any additional reserve requirements for bonds issued through the AMBBA. Please see the Capital Improvement Program section for more details related to funding of capital projects.

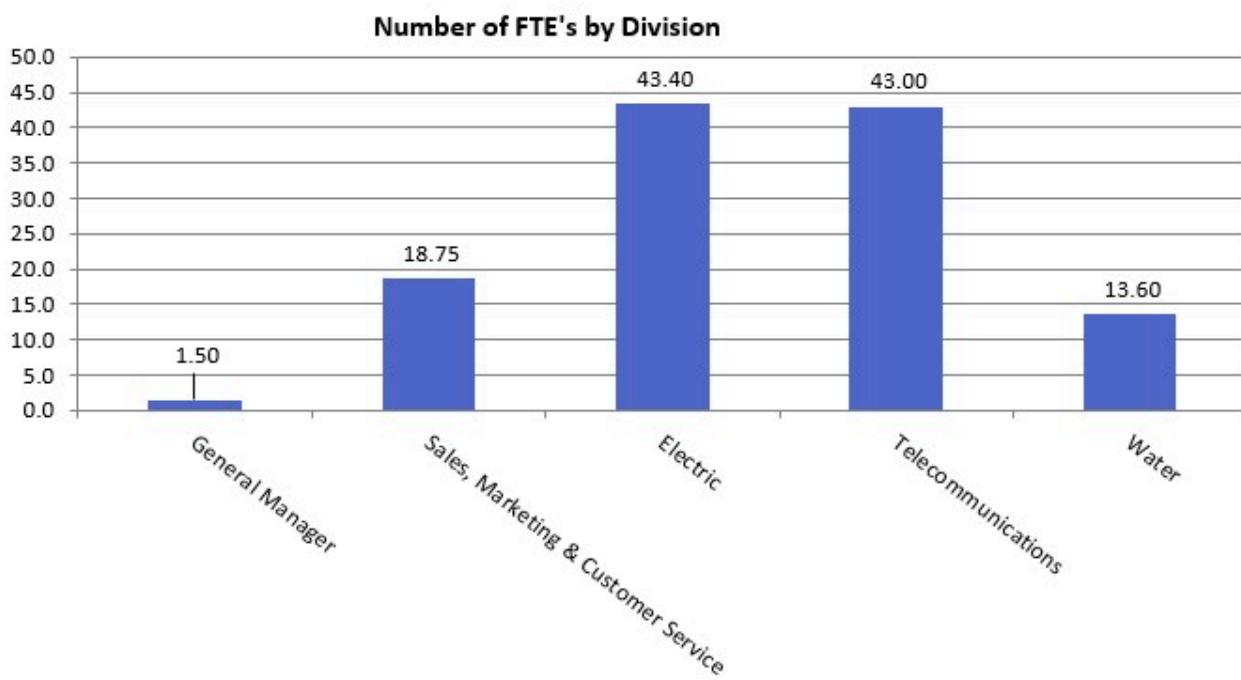
The total projected KPU revenue/reserve funded projects is \$53,743,307. **This is not possible with the current revenue streams and draw on reserves.**

Personnel Services

The proposed 2026 KPU Budget includes funding for 120.25 full-time equivalent employees (FTE). Staffing has decreased by 2.0 FTE's due to a reduction of one FTE in Sales, Marketing and Customer Services Division and one FTE in the Water Division. The implementation of an integrated payment processor reduced the need for one Customer Solutions Specialist and the apprenticeship program for water is working as intended. A water operator retired in 2024 allowing one apprentice to move into the water operator position upon completion of the apprenticeship program.

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.

	2024 Actual	2025 Budget	2025 Estimate	2026 Budget
Regular Salaries and Wages	10,715,372	12,401,080	11,214,922	13,614,650
Overtime	1,250,782	1,189,000	1,330,500	1,085,650
Temporary Salaries and Wages	31,794	118,000	239,000	106,000
Payroll Taxes	884,260	1,059,893	982,390	1,133,390
Pension	2,213,681	2,522,188	2,387,350	2,812,450
Health and Life Insurance	2,731,012	3,417,698	3,004,025	3,795,485
Workers Compensation	159,494	222,712	222,712	225,610
Other Benefits	287,153	486,872	486,872	704,790
Allowances	41,970	203,570	194,990	214,070
	<u>18,315,518</u>	<u>21,621,013</u>	<u>20,062,761</u>	<u>23,692,095</u>
Number of Employees (FTE)	<u>122.50</u>	<u>122.25</u>	<u>122.25</u>	<u>120.25</u>



The total cost of personnel for 2026 is projected to be \$23.69 million, an increase of \$2.07 million from the amount appropriated in 2025. The increase in personnel services is due to 5.0% cost of living adjustment for KPU IBEW employees, a projected increase in health

insurance and additional pension costs. The increase is also due to the inclusion of funds that were removed in 2025 due to vacancies. The Electric Division has been able to fill five of the positions that had been vacant for a long period of time.

Health insurance costs for 2026 are projected to increase by \$377,787 from what was budgeted in 2025. Health insurance premiums are projected to rise by 4.5% in 2025. 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.

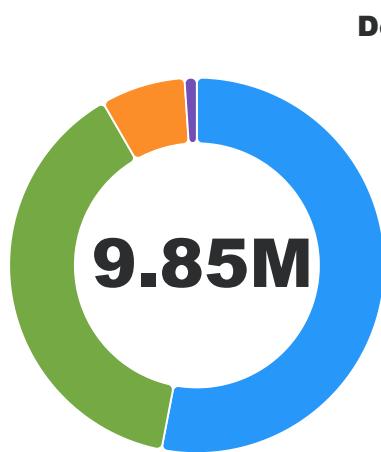
Other benefits such as payroll taxes and pension costs that are based on a percentage of compensation have been programmed to increase because of a 5.0% cost of living increase and step increases.



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Debt By Type

This section includes **all** obligations of the City. Only the debt applicable to KPU Electric, Telecommunications and Water Divisions are included in the Ketchikan Public Utilities 2026 Operating and Capital Budgets. KPU has revenue bonded debt only. Please see the revenue bond section below for KPU debt.



Debt By Type

Total Debt

\$9,852,984

\$270,041 (2.82% vs.
FY25)

Revenue Bonds	\$5,224,061	53.02%
General Obligation Bonds	\$3,808,020	38.65%
Lease Financing	\$717,273	7.28%
Interfund Loan - Advances	\$103,630	1.05%

Fund Name	FY2023	FY2024	FY2025	FY2026	\$ Change	% Change
General Obligation Bonds	3,806,465	3,807,012	3,807,667	3,808,020	353	0.01%
Revenue Bonds	4,673,842	4,919,984	5,058,003	5,224,061	166,058	3.28%
Lease Financing	291,365	717,273	717,273	717,273	-	0.00%
Interfund Loan - Advances	-	-	-	103,630	-	-
Total Debt	8,771,672	9,444,269	9,582,943	9,852,984	166,411	2.82%

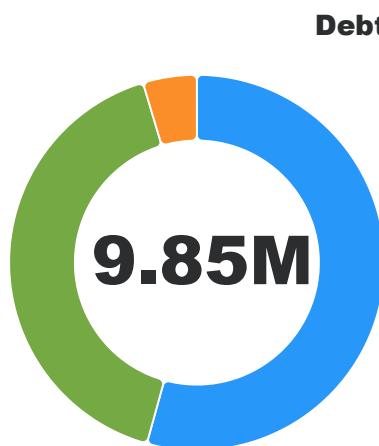
Revenue Bonds

Fund Name	FY2023	FY2024	FY2025	FY2026	\$ Change	% Change
CWLF 481111 - Alaska Avenue Sewer Main - Principal	15,155	15,383	15,615	15,850	235	1.50%
CWLF 481111 - Alaska Avenue Sewer Main - Interest	2,775	2,547	2,315	2,080	-235	-10.15%
CWLF 481031 - Front/Stedman Sewer Main - Principal	15,130	15,358	15,589	15,824	235	1.51%
CWLF 481031 - Front/Stedman Sewer Main - Interest	4,015	3,787	3,556	3,321	-235	-6.61%
CWLF 481211 - Water Street Sewer Main - Principal	-	-	-	121,000	-	-
CWLF 481211 - Water Street Sewer Main - Interest	-	-	-	54,000	-	-

Fund Name	FY2023	FY2024	FY2025	FY2026	\$ Change	% Change
2016 Port Expansion - Principal	1,185,000	1,245,000	1,305,000	1,370,000	65,000	4.98%
2016 Port Expansion - Interest	1,049,500	990,250	928,000	862,750	-65,250	-7.03%
2021 KPU Series X Refunding - Whitman Lake - Principal	890,000	905,000	915,000	920,000	5,000	0.55%
2021 KPU Series X Refunding - Whitman Lake - Interest	153,725	139,973	133,656	124,213	-9,443	-7.07%
2020 KPU Series Y - Subsea Fiber Cable - Principal	345,000	365,000	385,000	400,000	15,000	3.90%
2020 KPU Series Y - Subsea Fiber Cable - Interest	398,800	381,550	363,300	344,050	-19,250	-5.30%
DWLF 481021 - Tongass Avenue Water Main (Phase I) - Principal	92,594	93,988	95,403	96,840	1,437	1.51%
DWLF 481021 - Tongass Avenue Water Main (Phase I) - Interest	14,523	13,129	11,714	10,278	-1,436	-12.26%
DWLF 481051 - Water Treatment Facility - Principal	281,772	283,014	290,320	294,692	4,372	1.51%
DWLF 481051 - Water Treatment Facility - Interest	58,584	47,342	43,037	38,665	-4,372	-10.16%
DWLF 481061 - Tongass Avenue Water Main (Phase II) - Principal	59,627	60,525	61,437	62,362	925	1.51%
DWLF 481061 - Tongass Avenue Water Street (Phase II) - Interest	10,916	10,018	9,107	8,182	-925	-10.16%
DWLF 481091 - Baranof Reservoir Replacement - Principal	5,266	5,345	5,426	5,507	81	1.49%
DWLF 481091 - Baranof Reservoir Replacement - Interest	964	885	804	723	-81	-10.07%
DWLF 481121 - Baranof Reservoir #2 - Principal	12,396	12,582	12,773	12,965	192	1.50%
DWLF 481121 - Baranof Reservoir #2 - Interest	2,269	2,083	1,893	1,701	-192	-10.14%
DWLF 481141 - Jackson and Monroe Water Main - Principal	32,076	32,560	33,050	33,547	497	1.50%

Fund Name	FY2023	FY2024	FY2025	FY2026	\$ Change	% Change
DWLF 481141 - Jackson and Monroe Water Main - Interest	7,024	6,540	6,050	5,553	-497	-8.21%
DWLF 481041 - Mill Street Water Main - Principal	29,027	29,464	29,908	30,358	450	1.50%
DWLF 481041 - Mill Street Water Main - Interest	7,704	7,266	6,823	6,373	-450	-6.60%
DWLF 481081 - Schoenbar Road Raw Water Main - Prinicpal	-	125,976	255,851	261,139	5,288	2.07%
DWLF 481081 - Schoenbar Road Raw Water Main - Interest	-	125,419	127,376	122,088	-5,288	-4.15%
Total Debt	4,673,842	4,919,984	5,058,003	5,224,061	-8,942	3.28%

Enterprise Fund Debt Service



Total 2026 Debt Service

\$9,852,984

\$270,041 (2.82% vs. FY25)

Fund Name	FY2023	FY2024	FY2025	FY2026	% Change	\$ Change
GENERAL	3,622,404	4,048,983	4,050,264	4,046,867	-0.08%	-3,397
SPECIAL REVENUE	349,675	349,550	348,925	456,305	30.77%	107,380
ENTERPRISE	4,799,593	5,045,736	5,183,754	5,349,812	3.20%	166,058
Total Debt	8,771,672	9,444,269	9,582,943	9,852,984	2.82%	270,041

Enterprise Fund Debt

The debt discussed in this section pertains to the KPU debt only. All other debt is discussed in the 2026 General Government Operating and Capital Budget.

Fund Name	FY2023	FY2024	FY2025	FY2026	% Change	\$ Change
Wastewater Services	162,826	162,827	162,826	337,826	107.48%	175,000
Port Services	2,234,500	2,235,250	2,233,000	2,232,750	-0.01%	-250
Ketchikan Public Utilities (KPU) Fund	2,402,267	2,647,659	2,787,928	2,779,236	-0.31%	-8,692
Total Debt	4,799,593	5,045,736	5,183,754	5,349,812	3.20%	166,058

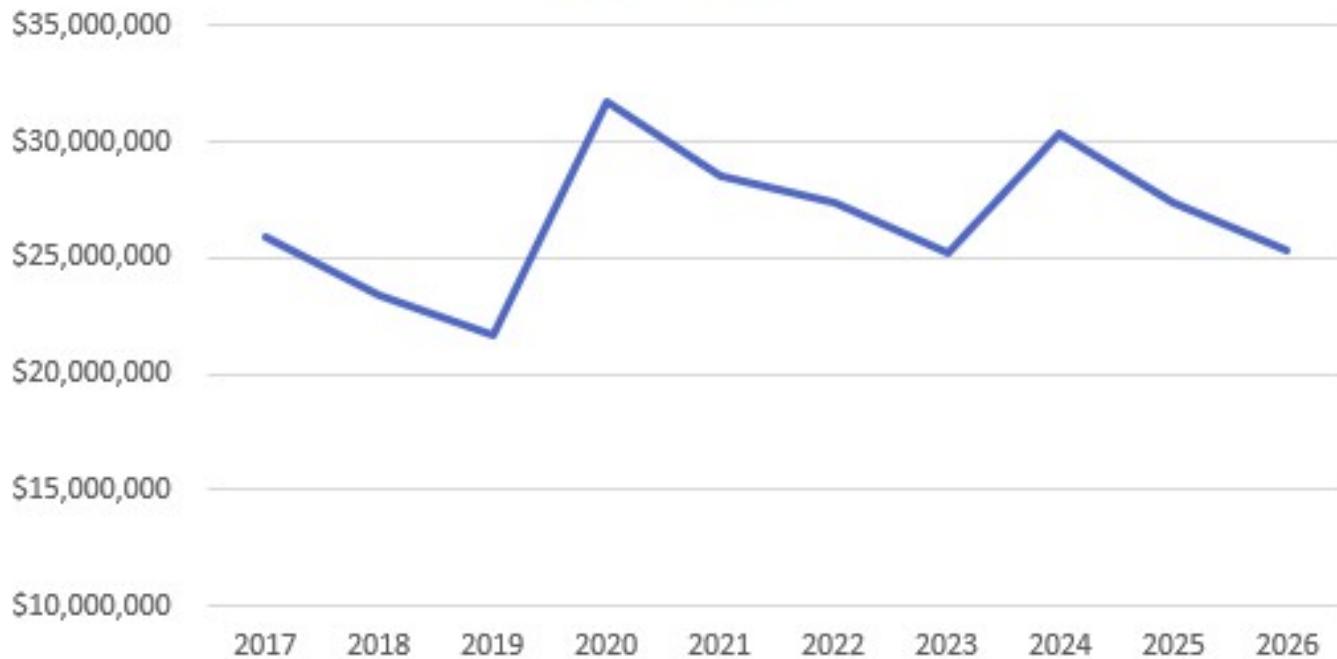
In 2026, KPU will have ten outstanding revenue bond issues totaling \$25.31 million. The table below summarizes KPU's bond issues that will be outstanding on January 1, 2026 and the debt service requirements for 2026.

Issue	Balance Outstanding January 1, 2026	Final Maturity	Type	Debt Service		
				2025 Budget	2025 Estimate	2026 Budget
ADEC 481021	710,628	2032	Revenue	\$ 107,118	\$ 107,118	\$ 107,118
ADEC 481051	2,651,014	2032	Revenue	333,357	333,357	333,357
ADEC 481061	560,995	2032	Revenue	70,544	70,544	70,544
ADEC 481091	49,542	2033	Revenue	6,230	6,230	6,230
ADEC 481121	116,622	2033	Revenue	14,666	14,666	14,666
ADEC 481141	378,547	2035	Revenue	39,100	39,100	39,100
ADEC 481041	432,352	2037	Revenue	36,731	36,731	36,731
ADEC 481081	5,874,941	2044	Revenue	383,227	383,227	383,227
Series X -Whitman	6,760,000	2032	Revenue	1,048,656	1,048,656	1,044,213
Series Y - Telecom	7,780,000	2038	Revenue	748,300	748,300	744,050
Total	\$ 25,314,641			\$ 2,787,929	\$ 2,787,929	\$ 2,779,236

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

Outstanding Debt Balances

2017-2026



KPU did not enter any new debt obligations in 2025. In 2026 the Water Division will seek new loans with ADEC to fund the Ketchikan Lakes Alternate Raw Water Main. This project is a \$26 million multi-year project that is currently in the design phase. The debt service for a \$26.5 million loan is approximately \$1.55 million if the division is not able to procure any grants to help fund the project.

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. The proposed spending plan is in compliance with the debt service coverage requirements of KPU's bond covenants. The calculation of debt service coverage per the bond covenants is 2.91 **with** a rate increase of 8.0% for electric and for water. The 2026 Budget also brings KPU into compliance with debt service coverage of 1.5-2.0, per Resolution 90-1645. **However, if the rates are not increased, the City is in danger of depleting reserves, violating its debt service requirements and violating its bond covenants, which would require a rate review and mandatory increases.** Compliance with Resolution No. 90-1645 is discussed in the compliance section and on page C-5 of the KPU Summaries. Please see page C-5 for more information regarding KPU's projected debt service coverage.

Total annual debt service in the amount of \$2,779,236 has been programmed in the 2026 Budget. On January 1, 2026, the total debt service required to maturity, including interest of \$5,001,504, will be \$30,316,145. 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; both policies were reiterated with the adoption of a 2023 budget policy. 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 2026 puts the reserve balance \$76,643 below the reserve balance required per the fund balance policy. The required fund balance is \$12.32 million and the projected fund balance is \$12.24 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 the proposed spending plan for 2026 is 1.87 and is in compliance with the requirements of Resolution No. 90-1645. Please see page C-5 for more information regarding the requirements of Resolution No. 90-1645. As noted in multiple areas of this transmittal letter, Management is strongly recommending Council's commitment to rate increases for electric and water in order to sustain the current level of services the utility provides to the community. Without methodical rate increases, it will not be possible to fund the essential capital projects and the reliability of essential services KPU provides is in jeopardy.

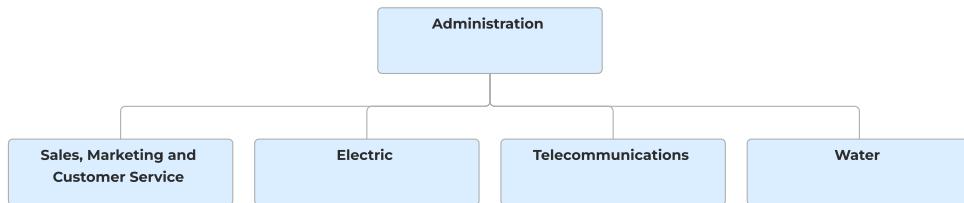
CONCLUSION

The 2026 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 information needed to begin the process of increasing revenues to effectively and efficiently run an electric, telecom and water utility and respond to the challenges that lie ahead for KPU in 2026 and the future. 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 2026 Budget.

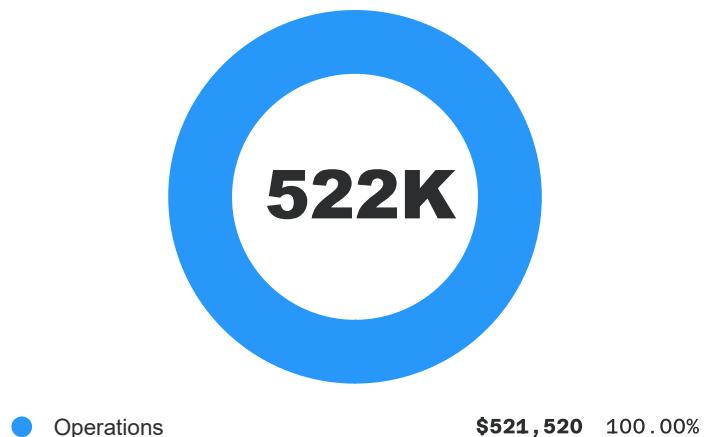
General Manager Administration

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 \$59.6 million.

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



2026 Expenditures by Activity



Expenditures by Activity

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
Operations	366,228	464,169	465,509	419,857	521,520	57,351	12.36%
Capital Projects	6,362	20,000	20,000	330	-	-20,000	-100.00%
Total Expenditures	372,590	484,169	485,509	420,187	521,520	37,351	7.71%

**Change column represents the increase/decrease (Incr/Decr) and percent from prior year Adopted to current year Budget.*

Expenditures by Expense Category

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
PERSONNEL SERVICES AND BENEFITS	350,518	405,619	398,319	354,807	461,120	55,501	13.68%
GENERAL SUPPLIES	655	1,050	1,050	800	975	-75	-7.14%
POSTAGE AND FREIGHT	56	100	100	100	100	-	0.00%
FUELS/LUBRICANTS/ENERGY COSTS	249	350	350	350	350	-	0.00%

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
BOOKS AND PERIODICALS	91	165	165	165	165	-	0.00%
ALLOWANCES	61	500	1,000	1,000	500	-	0.00%
TRAVEL AND EDUCATION	4,829	9,000	15,800	15,800	9,000	-	0.00%
ADVERTISING AND PUBLISHING	140	100	100	-	100	-	0.00%
DUES AND MEMBERSHIPS	1,150	1,825	1,825	1,825	1,875	50	2.74%
PERMITS, LICENSES AND FEES	-	50	50	50	50	-	0.00%
CONTRACTUAL SERVICES	-	1,100	1,100	1,100	1,100	-	0.00%
PROFESSIONAL SERVICES	-	20,000	20,000	20,000	20,000	-	0.00%
UTILITIES	829	2,000	2,000	2,000	2,000	-	0.00%
MAJOR CAPITAL OUTLAY	6,362	20,000	20,000	330	-	-20,000	-100.00%
MINOR CAPITAL OUTLAY	2,561	2,500	2,500	2,500	2,300	-200	-8.00%
INTERDEPARTMENTAL CHARGES	5,089	19,810	21,150	19,360	21,885	2,075	10.47%
Total Expenditures	372,590	484,169	485,509	420,187	521,520	37,351	7.71%

Funding Source

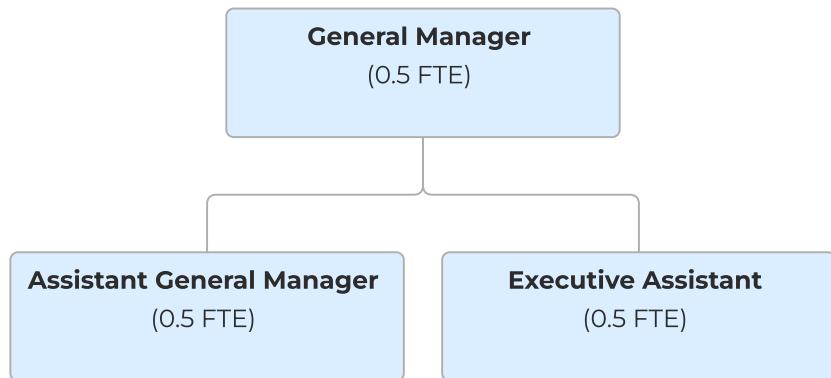
	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	Increase/ Decrease	% Change
KPU Enterprise Fund	372,590	484,169	485,509	420,187	521,520	37,351	7.71%
Total Funding	372,590	484,169	485,509	420,187	521,520	37,351	7.71%

Full-time Equivalent Personnel

	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	2026 Salary	Increase/ Decrease	% Change
Operations	1.50	1.50	1.50	1.50	1.50	281,100	-	0.0%
Total	1.50	1.50	1.50	1.50	1.50	281,100	-	0.0%

General Manager Administration Operations

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 2026

- 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 2025 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.
- Assist the City Council in the recruitment of a new City Manager/KPU General Manager to replace Deliah A. Walsh, who resigned April 16, 2025, and assist during the leadership transition period.
- In conjunction with the Human Resources Division, continue recruitment efforts for a new Electric Division Manager to succeed Jeremy Bynum, who resigned effective March 19, 2025.
- Continue work with the Federal Emergency Management Agency and the State of Alaska Division of Homeland Security & Emergency Management to receive federal and state reimbursement funding for the response, recovery, and restoration of the August 25, 2024, landslide disaster.
- Work with the Electric Division to continue the division's modernization program for the diesel generators at the Bailey Power Plant. Evaluate the need for additional capacity and pursue shore 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 secure 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 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 2027 Ketchikan Public Utilities Operating and Capital Budget and the 2027-2031 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, Division Managers, Finance Department, and third-party consultants as appropriate to evaluate current utilities rates, develop sustainable rate structures to support operations and capital improvements, and implement a new rate-setting process.

2025 Accomplishments

- Continued management oversight of General Government.
- Submitted the draft 2025 Ketchikan Public Utilities Operating and 2025-2029 Capital Budget to the City Council for formal consideration and adoption.
- Served on the Board of Directors of the Southeast Alaska Power Agency.
- Assisted the City Council in the recruitment of a new City Manager/KPU General Manager following the resignation of Delilah A. Walsh.
- Assistant General Manager Lacey Simpson was appointed to Acting General Manager effective March 1, 2025, while the City Council undertakes a recruitment process for a new City Manager/KPU General Manager.
- Finance Controller Shawn Hart was appointed to Acting Assistant General Manager effective April 1, 2025, during the transition to a new KPU General Manager.
- Assisted the Electric Division with daily management functions in the absence of an appointed Electric Division Manager.
- In conjunction with the Human Resources Division, began recruitment efforts for a new Electric Division Manager to succeed Jeremy Bynum.
- With the Water Division and third-party consultant, continued work with the Alaska Department of Environmental Conservation to demonstrate eligibility for a Limited Alternative to Filtration water system designation, and in avoidance of the construction of a costly water filtration facility for utility rate payers and the Water Division. Staff is currently awaiting concurrence from the Environmental Protection Agency with the State of Alaska's approval of KPU's Limited Alternative to Filtration.
- As part of the Unified Command, worked with division managers to respond to the March 20, 2025, Wolfe Point Landslide to mitigate damage to adjacent electrical and telecommunications infrastructure and maintain the ability to respond to utility needs on either side of the highway impasse caused by the landslide.
- 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.
- 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.
- Supported the Customer Service Sales & Marketing division's efforts to launch a new customer payment portal and program.
- Worked with representatives of the Federal Emergency Management Agency and the State of Alaska Division of Homeland Security & Emergency Management to submit all necessary information on the response, recovery, and restoration needed on the August 25, 2024, landslide disaster in order to receive federal and state reimbursement funding. This process remains ongoing.

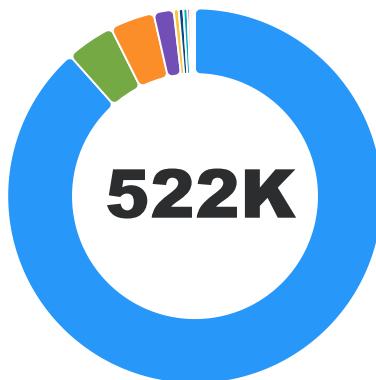
Funding Source

	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	Increase/ Decrease	% Change
KPU Enterprise Fund	366,228	464,169	465,509	419,857	521,520	57,351	12.36%
Total Funding	366,228	464,169	465,509	419,857	521,520	57,351	12.36%

Full-time Equivalent Personnel

	2024 Actual	2025 Adopted	2025 Amended	2026 Budget	2026 Salary	Increase / Decrease	% Change
General Manager	0.50	0.50	0.50	0.50	134,700	-	0.0%
Assistant General Manager	0.50	0.50	0.50	0.50	106,760	-	0.0%
Executive Assistant	0.50	0.50	0.50	0.50	39,640	-	0.0%
Total	1.50	1.50	1.50	1.50	281,100	-	0.0%

2026 Expenditures by Category



● PERSONNEL SERVICES AND BENEFITS	\$461,120	88.42%
● INTERDEPARTMENTAL CHARGES	\$21,885	4.20%
● PROFESSIONAL SERVICES	\$20,000	3.83%
● TRAVEL AND EDUCATION	\$9,000	1.73%
● MINOR CAPITAL OUTLAY	\$2,300	0.44%
● UTILITIES	\$2,000	0.38%
● DUES AND MEMBERSHIPS	\$1,875	0.36%
● CONTRACTUAL SERVICES	\$1,100	0.21%
● GENERAL SUPPLIES	\$975	0.19%
● ALLOWANCES	\$500	0.10%
● FUELS/LUBRICANTS/ENERGY COSTS	\$350	0.07%
● BOOKS AND PERIODICALS	\$165	0.03%
● ADVERTISING AND PUBLISHING	\$100	0.02%
● POSTAGE AND FREIGHT	\$100	0.02%
● PERMITS, LICENSES AND FEES	\$50	0.01%

Operating Budget Changes for 2026

Changes between the adopted operating budget for 2025 and the proposed operating budget for 2026 that are greater than 5% **and** \$5,000 are discussed below.

- Personnel Services and Benefits increased by \$55,501 or 13.68% due to annual step increases, a 5% cost of living adjustment for non-represented employees that will become effective January 1, 2026, projected increases in health insurance premiums and the addition of a \$10,000 moving expense to reflect half of the projected costs associated with filling the vacant General Manager position.

Expenditures by Expense Category

Category	Account ID	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
PERSONNEL SERVICES AND BENEFITS								
PERSONNEL SERVICES AND BENEFITS								
Personnel Services and Wages - Regular Wages	520-5100-500.01	236,352	252,754	245,454	233,112	281,100	28,346	11.21%
Personnel Services and Wages - Regular Longevity Bonus	520-5100-500.05	-	-	-	-	580	580	-
Personnel Services and Wages - Overtime Wages - Straight/Double OT	520-5100-501.01	-	1,000	1,000	500	1,000	-	0.00%
Personnel Services and Wages - Temporary Wages	520-5100-502.01	-	2,000	2,000	2,000	2,000	-	0.00%
Personnel Benefits - Taxes Budget Only	520-5100-505.00	16,050	19,570	19,570	18,050	21,390	1,820	9.30%
Personnel Benefits - Pension Budget Only	520-5100-506.00	53,590	57,100	57,100	53,750	63,810	6,710	11.75%
Personnel Benefits - Insurance Budget Only	520-5100-507.00	41,000	68,300	68,300	42,500	65,275	-3,025	-4.43%
Personnel Benefits - Insurance Worker's Compensation	520-5100-507.30	554	725	725	725	745	20	2.76%
Personnel Benefits - Other Budget Only	520-5100-508.00	2,972	4,170	4,170	4,170	15,220	11,050	264.99%
Payroll Allowances Moving Expense - Taxed	520-5100-509.07	-	-	-	-	10,000	-	-
Total PERSONNEL SERVICES AND BENEFITS		350,518	405,619	398,319	354,807	461,120	55,501	13.68%
GENERAL SUPPLIES								
General Supplies Office Supplies	520-5100-510.01	655	750	750	500	675	-75	-10.00%
Maintenance Materials Vehicle Maintenance Materials	520-5100-515.01	-	300	300	300	300	-	0.00%
Total GENERAL SUPPLIES		655	1,050	1,050	800	975	-75	-7.14%
POSTAGE AND FREIGHT								
Postage and Freight Postage	520-5100-520.02	56	100	100	100	100	-	0.00%
Total POSTAGE AND FREIGHT		56	100	100	100	100	-	0.00%
FUELS/LUBRICANTS/ENERGY COSTS								
Fuels, Lubricants and Energy Costs Vehicle Fuels & Lubricants	520-5100-525.04	249	350	350	350	350	-	0.00%
Total FUELS/LUBRICANTS/ENERGY COSTS		249	350	350	350	350	-	0.00%
BOOKS AND PERIODICALS								
Books and Periodicals Periodicals	520-5100-530.02	91	165	165	165	165	-	0.00%

Category	Account ID	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
Total BOOKS AND PERIODICALS		91	165	165	165	165	-	0.00%
ALLOWANCES								
Allowances Business and Meal Expense	520-5100-535.02	61	500	1,000	1,000	500	-	0.00%
Total ALLOWANCES		61	500	1,000	1,000	500	-	0.00%
TRAVEL AND EDUCATION								
Travel and Education Travel - Business	520-5100-600.01	4,250	8,200	15,000	15,000	8,200	-	0.00%
Travel and Education Training and Education	520-5100-600.03	579	800	800	800	800	-	0.00%
Total TRAVEL AND EDUCATION		4,829	9,000	15,800	15,800	9,000	-	0.00%
ADVERTISING AND PUBLISHING								
Advertising and Publishing Ads and Public Announcements	520-5100-605.01	140	100	100	-	100	-	0.00%
Total ADVERTISING AND PUBLISHING		140	100	100	-	100	-	0.00%
DUES AND MEMBERSHIPS								
Dues and Memberships Professional Lic. and Certs.	520-5100-615.01	-	-	-	-	50	-	-
Dues and Memberships Assoc. Membership Dues & Fees	520-5100-615.02	1,150	1,825	1,825	1,825	1,825	-	0.00%
Total DUES AND MEMBERSHIPS		1,150	1,825	1,825	1,825	1,875	50	2.74%
PERMITS, LICENSES AND FEES								
Licenses and Fees Vehicle Licenses	520-5100-630.02	-	50	50	50	50	-	0.00%
Total PERMITS, LICENSES AND FEES		-	50	50	50	50	-	0.00%
CONTRACTUAL SERVICES								
Contractual Services Machinery & Equipment Maint. Svc	520-5100-635.07	-	1,000	1,000	1,000	1,000	-	0.00%
Contractual Services Technical Services	520-5100-635.12	-	100	100	100	100	-	0.00%
Total CONTRACTUAL SERVICES		-	1,100	1,100	1,100	1,100	-	0.00%
PROFESSIONAL SERVICES								
Professional Services Management & Consulting Services	520-5100-640.04	-	20,000	20,000	20,000	20,000	-	0.00%
Total PROFESSIONAL SERVICES		-	20,000	20,000	20,000	20,000	-	0.00%
UTILITIES								
Utilities Telecommunications	520-5100-650.01	829	2,000	2,000	2,000	2,000	-	0.00%
Total UTILITIES		829	2,000	2,000	2,000	2,000	-	0.00%
MINOR CAPITAL OUTLAY								
Minor Capital Outlay M&E- Computers Printers & Copier	520-5100-790.26	2,561	2,500	2,500	2,500	2,300	-200	-8.00%
Total MINOR CAPITAL OUTLAY		2,561	2,500	2,500	2,500	2,300	-200	-8.00%
INTERDEPARTMENTAL CHARGES								
Interdepartmental Charges-IT Information Technology	520-5100-803.01	-	12,130	12,130	10,340	12,935	805	6.64%
Interdepartmental Charges Insurance	520-5100-825.01	5,089	7,680	9,020	9,020	8,950	1,270	16.54%

Category	Account ID	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
Total INTERDEPARTMENTAL CHARGES		5,089	19,810	21,150	19,360	21,885	2,075	10.47%
Total Expenditures		366,228	464,169	465,509	419,857	521,520	57,351	12.36%

*Change column represents the increase/decrease (Incr/Decr) and percent from prior year Adopted to current year Budget.

Operating Account Narrative

500.01 Regular Salaries and Wages: \$281,100 – This account provides expenditures for the cost of the annual salaries paid to the employees of the General Manager's Office.

500.05 Longevity Pay: \$580 - Employees may be awarded a bonus upon their anniversary to recognize employees who have remained with the City and KPU for at least 15 years.

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: \$21,390 – This account provides expenditures for employer contributions to Social Security and Medicare and other similar payroll taxes.

506.00 Pension: \$63,810 – This account provides expenditures for employer contributions to retirement plans.

507.00 Health and Life Insurance: \$62,275 – This account provides expenditures for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation: \$745 – This account provides expenditures for employer contributions to workers compensation.

508.00 Other Benefits: \$15,220 – This account provides expenditures for direct claims from former employees for unemployment benefits paid by the State of Alaska and accrued vacation and sick leave.

509.07 Allowances – Moving Expense: \$10,000 – This account provides expenditures to relocate a new General Manager to Ketchikan.

510.01 Office Supplies: \$675 – This account provides expenditures for expendable office supply items.

515.01 Vehicle Maintenance Materials: \$300 – 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 of postal related services such as postage and mailing materials.

525.04 Motor Vehicle Fuel & Lubricants: \$350 – 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: \$500 – This account provides expenditures for general expenses incurred by the General Manager's staff during the course of the year.

600.01 Travel-Business: \$8,200 – 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.

600.03 Training & Education: \$800 – This account provides expenditures for registration fees, training fees, training materials, tuition reimbursements, and other incidental expenses associated with training and education of department staff.

605.01 Advertising and Public Announcements: \$100 – This account provides expenditures for public notice and classified ad expenses.

615.01 Dues and Memberships Professional Lic. And Certs: \$50 – This account provides expenditures for the cost of the General Manager's Office Notary license.

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 services 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 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: \$2,300 – This account provides for half of the purchase costs for a new laptop, a new desktop monitor, a new workstation, and one UPS backup battery for the General Manager's Office per the replacement schedule developed by the Information Technology Department.

803.01 Interdepartmental Charges - Information Technology: \$12,935 – This account provides expenditures for information technology services provided by the Information Technology Department.

825.01 Interdepartmental Charges-Insurance: \$8,950 – This account provides expenditures for the cost of risk management services.

General Manager Administration Capital Program

Expenditures by Expense Type

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
Software	6,362	20,000	20,000	330	-	-20,000	-100.00%
Total Expenditures	6,362	20,000	20,000	330	-	-20,000	-100.00%

**There is no 2026 capital budget for the General Manager. This section is included due to prior year activity.*

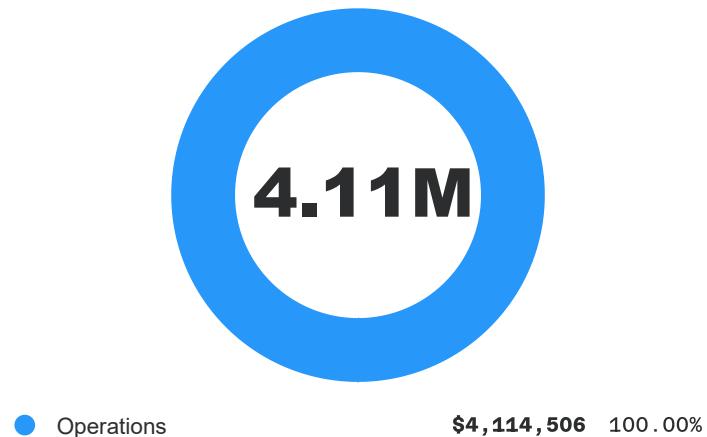
Sales, Marketing & Customer Service

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.



2026 Expenditures by Activity



Expenditures by Activity

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
Operations	3,340,294	3,868,358	3,960,683	3,771,066	4,114,506	246,148	6.36%
Total Expenditures	3,340,294	3,868,358	3,960,683	3,771,066	4,114,506	246,148	6.36%

**Change column represents the increase/decrease (Incr/Decr) and percent from prior year Adopted to current year Budget.*

Expenditures by Expense Category

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
PERSONNEL SERVICES AND BENEFITS	2,293,766	2,600,334	2,492,659	2,416,570	2,664,095	63,761	2.45%
GENERAL SUPPLIES	34,366	32,800	32,800	32,300	32,800	-	0.00%

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
POSTAGE AND FREIGHT	96,882	89,900	89,900	79,900	79,900	-10,000	-11.12%
FUELS/LUBRICANTS/ENERGY COSTS	516	650	650	650	650	-	0.00%
BOOKS AND PERIODICALS	182	200	200	200	200	-	0.00%
ALLOWANCES	1,733	4,100	4,100	4,100	4,100	-	0.00%
TRAVEL AND EDUCATION	33,147	46,100	46,100	46,100	46,100	-	0.00%
ADVERTISING AND PUBLISHING	184,644	202,900	202,900	202,900	202,900	-	0.00%
PROMOTION AND GRANTS	8,135	9,000	9,000	9,000	9,000	-	0.00%
DUES AND MEMBERSHIPS	400	1,200	1,200	1,200	1,200	-	0.00%
PERMITS, LICENSES AND FEES	255,692	233,660	434,760	364,760	404,760	171,100	73.23%
CONTRACTUAL SERVICES	60,846	64,900	64,900	64,900	63,900	-1,000	-1.54%
PROFESSIONAL SERVICES	142,366	138,000	138,000	138,000	138,000	-	0.00%
RENTS AND LEASES	111,036	112,500	112,500	112,500	116,677	4,177	3.71%
UTILITIES	49,951	79,124	74,774	60,896	79,124	-	0.00%
MINOR CAPITAL OUTLAY	32,936	39,750	43,000	41,550	40,900	1,150	2.89%
INTERDEPARTMENTAL CHARGES	33,696	213,240	213,240	195,540	230,200	16,960	7.95%
Total Expenditures	3,340,294	3,868,358	3,960,683	3,771,066	4,114,506	246,148	6.36%

Funding Source

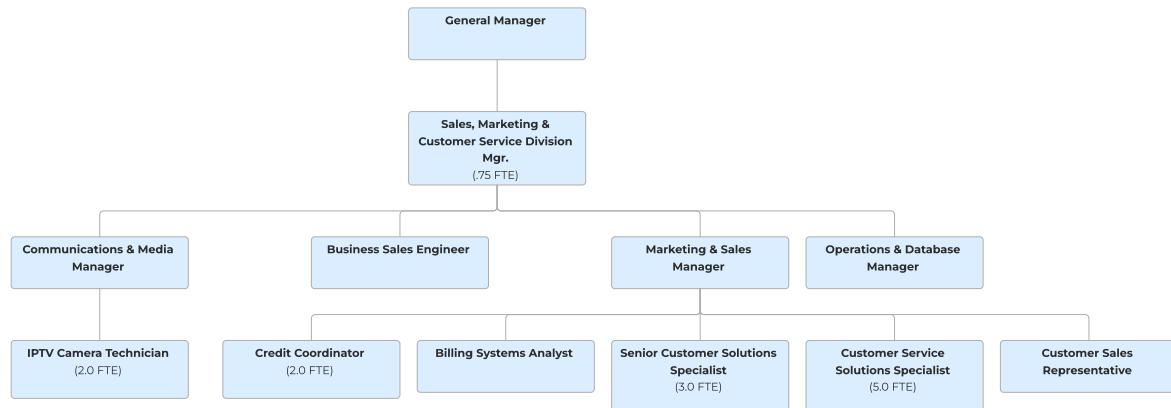
	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	Increase/ Decrease	% Change
KPU Enterprise Fund	3,340,294	3,868,358	3,960,683	3,771,066	4,114,506	246,148	6.36%
Total Funding	3,340,294	3,868,358	3,960,683	3,771,066	4,114,506	246,148	6.36%

Full-time Equivalent Personnel

	2024 Actual	2025 Adopted	2025 Amended	2026 Budget	2026 Salary	Increase/ Decrease	% Change
Operations	20.00	19.75	19.75	18.75	1,539,260	(1.00)	-5.06%
Total	20.00	19.75	19.75	18.75	1,539,260	(1.00)	-5.06%

Sales, Marketing & Customer Service Operations

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 2026

- To achieve continued growth in residential internet and managed WiFi within the Telecommunications Division by focusing on new fiber customers such as MDU customers, and by upgrading customers to multi-gig speeds.
- Continue to build business internet and business product categories through use of dedicated business sales staff, who produce scalable custom business solutions for all levels of customers from single proprietor to large enterprise solutions, and who are the key communicators and managers of all facets of a KPU business customer.
- Launch a referral program to grow internet subscribers.
- Continue to advertise via digital on-line video/streaming apps, and Facebook boost to promote internet products and business services.
- Utilize targeted DM Postcards for managed WiFi, as well as business systems, and KPUTv+ app to educate the public about lesser known product offerings, and to build sales in these categories, as well as to introduce multi-gig.
- Continue weekly ads for KPUTv+'s exclusive video content in social media and in KDN to allow people to know breadth of video and to educate them about the apps availability on Roku, Firestick, Apple devices, Android and computer/laptops.
- Shift KPUTv video to shorter pieces and podcasts vs longer documentaries to match current public viewing habits, including oral history, and local interest pieces, such as green crab, while maintaining Native culture, Filipino culture, business spotlights, historical pieces.
- Align the SEO for the KPUTel website to the newly changed AI standards by utilizing blogs and more social media product advertising. Continue to adjust keywords and use key phrases to adjust to new standard.
- Sustain sales culture in Customer Solutions Specialists (Sales) staff by utilizing weekly “team huddle” meetings to review successes/misses, review promotions, and to educate on products. Utilize employee reward such as recognition in addition to sales incentives to keep staff motivated and focused on sales vs operational tasks.
- Promote staff development by determining individual goals and providing opportunities for additional training and education. This contributes to staff retention by both the City and KPU, due to promotion opportunities. Also continue cross training of staff on key responsibilities, such as porting, trouble tickets, adjustments, billing so that absence of staff do not disrupt operations.
- Promote Paymentus paperless option for both Telecommunications and Utility customers who utilize the Paymentus online payment system to reduce mailing costs, improve delivery speed of bills and reduce staff time spent reprinting bills.
- Utilize Paymentus SMS text/email/calling options to notify delinquent customers of late or missed payments, as well as failed payments so that customers can avoid disconnect, and at the same time reduce mail and paper costs associated with mailed notices.

2025 Accomplishments

- In the last year the division has achieved sales growth in the following categories: +5% in mid-tier and highspeed internet, with a reduction in the lowest tier due to sales staff upgrading customers to speeds that better support video streaming and multiple internet connected devices in the home. +30% in managed meshed WiFi, which provides a better internet experience in the home, +4% in managed business enterprise wireless, firewalls, cameras, and phone systems. +100% in virtual business calling which integrates with computers, laptops, cell phones and tablets.
- The Business Sales Engineer and the Business Customer Solution Specialists continued to sign long-term agreements with not only large enterprise, but also small and start-up businesses. The strong suite of business systems combined with the symmetric fiber internet and business dedicated sales staff, business techs, and business support desk has helped to preserve KPU's dominance in the business community at 90% penetration in the community.
- The Business Sales Engineer and the Business CSSs negotiated the win-back of more than a half-dozen former GCI business customers to KPU. They praised KPU's responsiveness, knowledge of networking and systems, and superior products. Several abandoned cloud based phone systems to come back to KPU's hosted system.
- KPU Marketing provided assistance to the community via a number of events: sponsorship of the Fil-Am Lumpia contest, a Holiday Food Drive for Love in Action, a back to school internet promotion that allowed customers to upgrade their internet for free for two months, with a gift of \$50 from KPU to go to a school of their choice.
- KPU's marketing staff continued to perform work for other City departments via marketing design and ads, City Website updates, election ads and mailers, Charter and Bond Q&A, radio PSAs. Marketing and KPUTV staff designed and coordinated social media images, social media videos, direct mail postcards, radio PSAs for Wastewater, Electric Safety, Landfill, Public Works, Clerks Office, Personnel, Tourism, Port and Harbors, and Fire. KPU Marketing regularly posts NOAA updates, Public Works construction updates, Secon Construction updates for the City.
- KPU finalized developed the KPUTV + App. This app allows live-stream of council, borough meetings, and live sports and now current Ketchikan weather including NOAA reports. It also shows the newest video productions, as well as many favorite older productions. The app works on Apple phones and tablets, Android phones and tablets, Amazon Fires Stick, Roku TVs and Roku streaming boxes, and computers. During 2025, KPU gained more than 1700 users of the app in 2025.
- The KPU Marketing & KPUTV staff planned and managed the Holiday tree lighting events for the community including acquiring the lights, crafts, treats, visit with Santa, music and a visit from the Grinch. The Marketing staff are spearheading the event again for the 2025 holiday season. Marketing and KPUTV also produced the Chamber of Commerce Gala video for that important event, and coordinated the City Holiday staff party, including decor, food, music and games. Once again KPUTV livestreamed the Holiday Boat Parade.
- KPU Marketing continued with their popular Tech Tips for Seniors event at the Library. 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. Recent events have focused on recognizing AI and understanding how to use it safely and correctly and how to know when AI is dangerous or fake. The attendance varied from 12 to 30 seniors at the library each time, but seniors have also stopped at the mall location for technical assistance, which the marketing staff will provide to them.
- KPU's Division Manager and Marketing Manager both worked actively producing designs, ads, and media, arranging events, as well as procuring shirts, stickers, pins, window clings for the 125th Anniversary Celebration of the City of Ketchikan. Shirts featured a design that KPU commissioned from two local artists. Events included City and KPU trucks in the 4th of July parade with commemorative banners, a booth at the Blueberry Festival with commemorative merchandise and a community art project, celebratory banners displayed at the Ketchikan arch and City Hall, a commemorative Tide Flat Legends Baseball game day with kid games, baseball games, commemorative baseball tees, and concessions, a History Talk with five locals who covered Ketchikan's reinvention of itself and told stories of fishing, logging, race relations and growing up in the bush, a Ketchikan-centric history and art scavenger hunt app, and a free live music event at Red Men Hall. KPU Marketing designed a banner for the City of Ketchikan website for the 125th, and maintained and updated the 125th Anniversary page.
- KPU's Division and Marketing Manager also produced the 90th Anniversary of KPU on June 26th, which was celebrated by historic ads and posters, media posts, a commemorative shirt, historic banners, and free cake for the public.
- KPU Marketing and KPUTV filmed and produced two videos for the City of Ketchikan: a 2 ½ minute hiring video that showcases the work-life balance, people, activities, and beauty that is our community, while also highlighting the jobs available at the City. The second was a 2 minute video for the main City of Ketchikan webpage, that features vibrant images of the best of our community: the landscape, the people, the arts and activities. It was set to the soft version of the Ketchikan Anthem song.

- KPUTv successfully acquired the new, larger, and more stable drone, and tested its many features: mapping, thermal mapping, location pinning. KPUTv received emergency FAA authorization to fly the drone during the Wolfe Point landslide to provide footage to DOT and City Engineering. The two newest KPUTv video techs both successfully completed FAA drone testing, which takes KPUTv's drone operators to a total of three.
- KPUTv produced a number of notable videos in 2025 including: a historical look-back at local buildings and locations "now and then" for the 125th Anniversary; Herring Protectors Documentary on the fight to save herring in SE; "Kelp Save the World" which focused on local kelp mariculture as well as the production of local kelp vodka; Bill Tatsuda and Tatsuda Family oral history. KPUTv produced more than 220 videos in 2025, from shorts such as meeting shelter dogs to longer productions such as Wearable Arts. The video team also assisted the Tongass Historical Museum in creating an image projection display for a year-long exhibit of Brooke Ratzat.
- Division Manager Kim Simpson serves as Public Information Officer for the City of Ketchikan during emergencies. In 2025 she filled that capacity for two landslides, a fatal car accident, and a mass casualty drill. Duties included press releases, media releases, press conferences, media-liason, spokesperson, and public liaison. She also attended the Alaska Municipal League to present a session of how-tos on emergency communications and response in partnership with Ketchikan Gateway Borough Clerk Kacie Paxton.
- KPU Marketing and Operations had only six months to convert electric utility billing to the new Paymentus bill pay system, since New World/Tyler would no longer support BridgePay which was used for electric online payments. The conversion process normally takes well over a year, and Tyler will not customize programs, but KPU was able to utilize Telecom engineers' programming skills to allow not only bill payment to integrate between the two systems, but they also identified a way to have the full bills appear within the system for customers. This process took many hours of time and effort on the part of KPU Database and Operations manager John Zacharias, but the system was able to convert by the April 1st deadline. After a rocky start, due to a failed data file from Tyler that did not include credit card data, customer utilization of Paymentus skyrocketed. This resulted in a online payment dollar volume double the historical monthly average. Customers can self-manage adds/changes of payment methods, change payment dates, and combine all utility accounts under one customer account, as well as download and print bills the same day they are produced all in a private portal.
- KPU Sales, Marketing & Customer Service Division's ability to hire and train quality individuals allows senior positions to be filled by internal candidates . Currently there are 13 employees throughout the City/KPU who began employment in Customer Service. KPU SM&CS promoted two employees to senior positions in 2025.

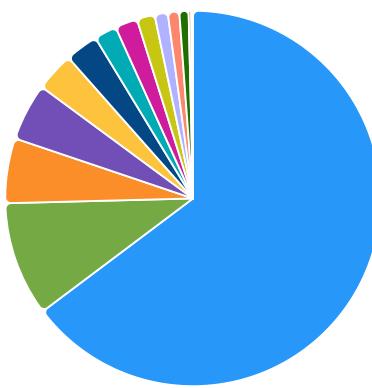
Funding Source

	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	Increase/ Decrease	% Change
KPU Enterprise Fund	3,340,294	3,868,358	3,960,683	3,845,936	4,211,246	342,888	8.86%
Total Funding	3,340,294	3,868,358	3,960,683	3,845,936	4,211,246	342,888	8.86%

Full-time Equivalent Personnel

	2024 Actual	2025 Adopted	2025 Amended	2026 Budget	2026 Salary	Increase/ Decrease	% Change
SM & CS Manager	1.00	0.75	0.75	0.75	124,940	-	0.0%
Business Sales Manager	1.00	1.00	1.00	1.00	104,660	-	0.0%
Marketing & Sales Manager	1.00	1.00	1.00	1.00	100,120	-	0.0%
Communications & Media Manager	1.00	1.00	1.00	1.00	84,630	-	0.0%
IPTV Camera Technician	2.00	2.00	2.00	2.00	145,380	-	0.0%
Credit Coordinator	2.00	2.00	2.00	2.00	165,410	-	0.0%
Billing System Analyst	1.00	1.00	1.00	1.00	90,390	-	0.0%
Senior Customer Solutions Specialis	3.00	3.00	3.00	3.00	243,400	-	0.0%
Customer Solutions Specialist	6.00	5.00	5.00	5.00	332,790	-	0.0%
Customer Sales Rep I	1.00	2.00	2.00	1.00	58,630	(1.00)	-50.0%
Total	20.00	19.75	19.75	18.75	1,539,260	(1.00)	-5.1%

2026 Expenditures by Category



● PERSONNEL SERVICES AND BENEFITS	\$2,664,095	64.75%
● PERMITS, LICENSES AND FEES	\$404,760	9.84%
● INTERDEPARTMENTAL CHARGES	\$230,200	5.59%
● ADVERTISING AND PUBLISHING	\$202,900	4.93%
● PROFESSIONAL SERVICES	\$138,000	3.35%
● RENTS AND LEASES	\$116,677	2.84%
● POSTAGE AND FREIGHT	\$79,900	1.94%
● UTILITIES	\$79,124	1.92%
● CONTRACTUAL SERVICES	\$63,900	1.55%
● TRAVEL AND EDUCATION	\$46,100	1.12%
● MINOR CAPITAL OUTLAY	\$40,900	0.99%
● GENERAL SUPPLIES	\$32,800	0.80%
● PROMOTION AND GRANTS	\$9,000	0.22%
● ALLOWANCES	\$4,100	0.10%
● DUES AND MEMBERSHIPS	\$1,200	0.03%
● FUELS/LUBRICANTS/ENERGY COSTS	\$650	0.02%
● BOOKS AND PERIODICALS	\$200	0.00%

Operating Budget Changes for 2026

Changes between the adopted operating budget for 2025 and the proposed operating budget for 2026 that are greater than 5% **and** \$5,000 are discussed below.

- Temporary Wages (Account 502.01) decreased by \$12,000 or 5.5% from \$22,000 to \$10,000 due to inability to hire adequate temps to assist with filming needs.
- Postage Bulk Mailing (Account 520.03) decreased by \$10,000 or 12% from \$86,000 to \$76,000 due to the anticipated adoption of a paperless bill option available through Paymentus.
- License Bank and Merchant Fees (Account 630.03) increased by \$270,000 or 117% from \$230,000, to \$500,000 to account for a 100% increase in usage of the online bill payment portal by customers after Paymentus conversion.
- Interdepartmental Charges - Information Technology (Account 803.01) increased by \$12,930 or 7.94% due to increases in the IT departments budget.

Expenditures by Expense Category

Category	Account ID	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	* Increase/Decrease	* % Change
PERSONNEL SERVICES AND BENEFITS								
Personnel Services and Wages - Regular Wages	520-5110-500.01	1,375,554	1,491,694	1,435,874	1,417,315	1,539,260	47,566	3.19%
Personnel Services and Wages - Regular Longevity Bonus	520-5110-500.05	5,625	5,950	5,950	5,950	4,540	-1,410	-23.70%
Personnel Services and Wages - Overtime Wages - Straight/Double OT	520-5110-501.01	27,499	30,000	30,000	22,000	30,000	-	0.00%
Personnel Services and Wages - Temporary Wages	520-5110-502.01	692	22,000	7,000	2,000	10,000	-12,000	-54.55%
Personnel Benefits - Taxes Budget Only	520-5110-505.00	107,733	118,600	114,330	111,250	122,100	3,500	2.95%
Personnel Benefits - Pension Budget Only	520-5110-506.00	274,771	296,800	291,800	291,500	307,000	10,200	3.44%
Personnel Benefits - Insurance Budget Only	520-5110-507.00	464,406	557,235	529,650	488,500	565,490	8,255	1.48%
Personnel Benefits - Insurance Worker's Compensation	520-5110-507.30	3,303	4,245	4,245	4,245	4,425	180	4.24%
Personnel Benefits - Other Budget Only	520-5110-508.00	5,598	46,310	46,310	46,310	53,780	7,470	16.13%
Payroll Allowances Incentive Pay	520-5110-509.09	28,585	27,000	27,000	27,000	27,000	-	0.00%
Payroll Allowances Vehicle	520-5110-509.12	-	500	500	500	500	-	0.00%
Total PERSONNEL SERVICES AND BENEFITS		2,293,766	2,600,334	2,492,659	2,416,570	2,664,095	63,761	2.45%
GENERAL SUPPLIES								
General Supplies Office Supplies	520-5110-510.01	24,175	19,000	19,000	19,000	19,000	-	0.00%
General Supplies Operating Supplies	520-5110-510.02	7,131	9,000	9,000	9,000	9,000	-	0.00%
General Supplies Safety Program Supplies	520-5110-510.03	54	200	200	200	200	-	0.00%
General Supplies Janitorial Supplies	520-5110-510.04	1,557	2,500	2,500	2,500	2,500	-	0.00%
General Supplies Food & Catering	520-5110-510.07	1,162	1,100	1,100	1,100	1,100	-	0.00%
Maintenance Materials Vehicle Maintenance Materials	520-5110-515.01	287	1,000	1,000	500	1,000	-	0.00%
Total GENERAL SUPPLIES		34,366	32,800	32,800	32,300	32,800	-	0.00%

Category	Account ID	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	* Increase/Decrease	* % Change
POSTAGE AND FREIGHT								
Postage and Freight Postage	520-5110-520.02	213	3,900	3,900	3,900	3,900	-	0.00%
Postage and Freight Bulk Mailing	520-5110-520.03	96,669	86,000	86,000	76,000	76,000	-10,000	-11.63%
Total POSTAGE AND FREIGHT								
		96,882	89,900	89,900	79,900	79,900	-10,000	-11.12%
FUELS/LUBRICANTS/ENERGY COSTS								
Fuels, Lubricants and Energy Costs Vehicle Fuels & Lubricants	520-5110-525.04	516	650	650	650	650	-	0.00%
Total FUELS/LUBRICANTS/ENERGY COSTS								
		516	650	650	650	650	-	0.00%
BOOKS AND PERIODICALS								
Books and Periodicals Periodicals	520-5110-530.02	182	200	200	200	200	-	0.00%
Total BOOKS AND PERIODICALS								
		182	200	200	200	200	-	0.00%
ALLOWANCES								
Allowances Business and Meal Expense	520-5110-535.02	661	1,100	1,100	1,100	1,100	-	0.00%
Allowances Uniforms/Badges/Clothing	520-5110-535.04	1,072	3,000	3,000	3,000	3,000	-	0.00%
Total ALLOWANCES								
		1,733	4,100	4,100	4,100	4,100	-	0.00%
TRAVEL AND EDUCATION								
Travel and Education Travel - Business	520-5110-600.01	11,248	15,500	15,500	15,500	15,500	-	0.00%
Travel and Education Travel - Training	520-5110-600.02	2,230	8,600	8,600	8,600	8,600	-	0.00%
Travel and Education Training and Education	520-5110-600.03	19,669	22,000	22,000	22,000	22,000	-	0.00%
Total TRAVEL AND EDUCATION								
		33,147	46,100	46,100	46,100	46,100	-	0.00%
ADVERTISING AND PUBLISHING								
Advertising and Publishing Ads and Public Announcements	520-5110-605.01	5,381	1,900	1,900	1,900	1,900	-	0.00%
Advertising and Publishing Marketing	520-5110-605.02	175,252	195,000	195,000	195,000	195,000	-	0.00%
Advertising and Publishing Printing & Binding	520-5110-605.03	4,011	6,000	6,000	6,000	6,000	-	0.00%
Total ADVERTISING AND PUBLISHING								
		184,644	202,900	202,900	202,900	202,900	-	0.00%
PROMOTION AND GRANTS								
Contributions, Grants and Subsidies Community Promotion	520-5110-610.01	8,135	9,000	9,000	9,000	9,000	-	0.00%
Total PROMOTION AND GRANTS								
		8,135	9,000	9,000	9,000	9,000	-	0.00%
DUES AND MEMBERSHIPS								
Dues and Memberships Assoc. Membership Dues & Fees	520-5110-615.02	400	1,200	1,200	1,200	1,200	-	0.00%
Total DUES AND MEMBERSHIPS								
		400	1,200	1,200	1,200	1,200	-	0.00%
PERMITS, LICENSES AND FEES								
Licenses and Fees Vehicle Licenses	520-5110-630.02	10	60	60	60	60	-	0.00%
Licenses and Fees Bank & Merchant Fees	520-5110-630.03	254,682	230,000	430,000	360,000	400,000	170,000	73.91%
Licenses and Fees Broadcast Content Fees	520-5110-630.04	1,000	3,600	4,700	4,700	4,700	1,100	30.56%
Total PERMITS, LICENSES AND FEES								
		255,692	233,660	434,760	364,760	404,760	171,100	73.23%

Category	Account ID	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	* Increase/Decrease	* % Change
CONTRACTUAL SERVICES								
Contractual Services Janitorial & Cleaning Services	520-5110-635.02	12,000	12,400	12,400	12,400	12,400	-	0.00%
Contractual Services Software & Equip Maint Services	520-5110-635.04	119	-	-	-	-	-	-
Contractual Services Building and Grounds Maint. Svc	520-5110-635.06	1,375	2,000	2,000	2,000	1,000	-1,000	-50.00%
Contractual Services Machinery & Equipment Maint. Svc	520-5110-635.07	2,246	3,000	3,000	3,000	3,000	-	0.00%
Contractual Services Technical Services	520-5110-635.12	44,826	43,500	43,500	43,500	43,500	-	0.00%
Contractual Services Other Contractual Services	520-5110-635.14	280	4,000	4,000	4,000	4,000	-	0.00%
Total CONTRACTUAL SERVICES		60,846	64,900	64,900	64,900	63,900	-1,000	-1.54%
PROFESSIONAL SERVICES								
Professional Services Management & Consulting Services	520-5110-640.04	142,366	138,000	138,000	138,000	138,000	-	0.00%
Total PROFESSIONAL SERVICES		142,366	138,000	138,000	138,000	138,000	-	0.00%
RENTS AND LEASES								
Rents and Leases Land & Buildings	520-5110-645.01	111,036	112,500	112,500	112,500	116,677	4,177	3.71%
Total RENTS AND LEASES		111,036	112,500	112,500	112,500	116,677	4,177	3.71%
UTILITIES								
Utilities Telecommunications	520-5110-650.01	43,443	70,624	66,274	52,396	70,624	-	0.00%
Utilities Electric, Water, Sewer & Garbage	520-5110-650.02	6,508	8,500	8,500	8,500	8,500	-	0.00%
Total UTILITIES		49,951	79,124	74,774	60,896	79,124	-	0.00%
MINOR CAPITAL OUTLAY								
Minor Capital Outlay Furniture & Fixtures	520-5110-790.15	4,815	2,800	2,800	2,800	2,500	-300	-10.71%
Minor Capital Outlay Machinery & Equipment	520-5110-790.25	11,774	23,000	26,250	26,250	24,000	1,000	4.35%
Minor Capital Outlay M&E-Computers Printers & Copier	520-5110-790.26	15,483	12,950	12,950	11,500	13,400	450	3.47%
Minor Capital Outlay Software	520-5110-790.35	864	1,000	1,000	1,000	1,000	-	0.00%
Total MINOR CAPITAL OUTLAY		32,936	39,750	43,000	41,550	40,900	1,150	2.89%
INTERDEPARTMENTAL CHARGES								
Interdepartmental Charges-IT Information Technology	520-5110-803.01	-	162,770	162,770	140,450	175,700	12,930	7.94%
Interdepartmental Charges Insurance	520-5110-825.01	33,696	50,470	50,470	55,090	54,500	4,030	7.98%
Total INTERDEPARTMENTAL CHARGES		33,696	213,240	213,240	195,540	230,200	16,960	7.95%
Total Expenditures		3,340,294	3,868,358	3,960,683	3,771,066	4,114,506	246,148	6.36%

*Change column represents the increase/decrease (Incr/Decr) and percent from prior year Adopted to current year Budget.

Operating Account Narrative

500.01 Regular Salaries and Wages: \$1,539,260 – This account provides expenditures for compensation paid to all regular salaried and hourly employees of the Sales, Marketing and Customer Service Division.

500.05 Longevity Pay: \$4,540 – Employees may be awarded a bonus upon their anniversary to recognize employees who have remained with the City and KPU for at least 15 years.

501.01 Overtime Wages: \$30,000 - This account provides expenditures for compensation paid to all hourly employees for hours worked in excess of a regular working cycle or beyond the hours listed in the bargaining agreement. Includes after hours filming, 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. For 2024 this includes a summer intern in the video production department.

505.00 Payroll Taxes: \$122,100 – This account provides expenditures for employer contributions for Social Security and Medicare and other similar payroll related taxes.

506.00 Pension: \$307,000 – This account provides expenditures for employer contributions to retirement plans.

507.00 Health and Life Insurance: \$565,490 – This account provides expenditures for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation: \$4,425 – This account provides expenditures for employer contributions to workers compensation.

508.00 Other Benefits: \$53,780 – 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: \$27,000 - This account provides expenditures for employee incentive and suggestion programs. Specifically this refers to the Upgrade Sales Incentive Program for CSR I, CSS & Senior CSS for add-on sales. 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 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 : \$1,100 – This account provides for lunches for staff when staff shortages do not allow lunch breaks, as well as expenses for employee recognition events, and retirement.

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: \$76,000 - 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. It also provides for Chamber of Commerce monthly lunch tickets for required staff attendance.

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: \$15,500 – 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: \$8,600 – This account provides expenditures for transportation, lodging, meals, per diems, and other incidental expenses associated with travel for CommSoft, and FAA Certification for drone.

600.03 Training and Education: \$22,000 – This account provides expenditures for registration fees, training fees, and training materials associated with training and educating employees and on-premises training programs provided by staff or a third-parties, such as Measure-X or Pivot. This also includes online sequel and AS400 and Digital Training.

605.01 Ads and Public Announcements: \$1,900 - This account provides expenditures for advertising and announcements in publications, newspapers, trade journals and the Internet for recruitment.

605.02 Marketing and Advertising: \$195,000 - This account provides expenditures for advertising, image building and promotion in publications, web, newspapers, Internet, radio and TV broadcasts, streaming and social media. Included are promotional KPU logo products. Production and design costs for the creation of ad and marketing materials are also included in this account.

605.03 Printing and Binding: \$6,000 – This account provides expenditures for printing and binding services. Included are designing and printing of forms, posters, flyers, user manuals and channel guides for distribution in the Sales, Marketing and Customer Service Division.

610.01 Community Promotion: \$9,000 – 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: \$400,000 – 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: \$4,700 – This account provides expenditures for license fees for use of music databases and covers the use of copyrighted music. Included in this account is StoryBlox, BMI, Megatrax and other sources.

635.02 Janitorial and Cleaning Services: \$12,400 - 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 \$1,000 - This account provides expenditures for pest control 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: \$43,500 - 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, Castus Roku App, and Channel Electric, Northern Credit, Google Enterprise.

635.14 Other Contractual Services: \$4,000 - This account provides expenditures for contractual services for local TV content.

640.04 Management and Consulting Services: \$138,000 - 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 increase in rates for services from OSG (tracking, and message envelope print).

645.01 Rents and Leases - Land and Buildings: \$116,677 - 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: \$70,624 - 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. Increase is due to upgrade to gig connectivity to City Hall.

650.02 Electric, Water, Sewer & Solid Waste: \$8,500 - This account provides expenditures for electric, water, sewer and solid waste utility services.

790.15 Furniture & Fixtures: \$2,500 - This account provides expenditures for acquisition of furniture and fixtures. This is specifically for shelving in storage.

790.25 Machinery & Equipment: \$24,000 - This account provides expenditures for the acquisition, repair and replacement of filming equipment, as well as cell phones, a new copy machine, and a large industrial shredded.

790.26 Computers, Printers & Copiers: \$13,400 - This account provides expenditures for the acquisition of desktop, laptops, and computers, copiers and screens.

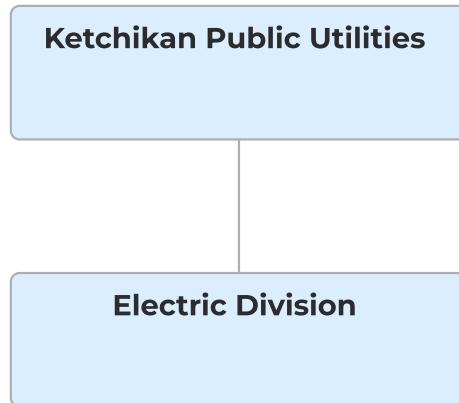
790.35 Software: \$1,000 - This account provides expenditures for acquisition of software systems and upgrades not covered by maintenance agreements. This includes the annual fee for streaming software and editing software.

803.00 Interdepartmental Charges - Information Technology: \$175,700 This account provides expenditures for information technology services provided by the Information Technology Department.

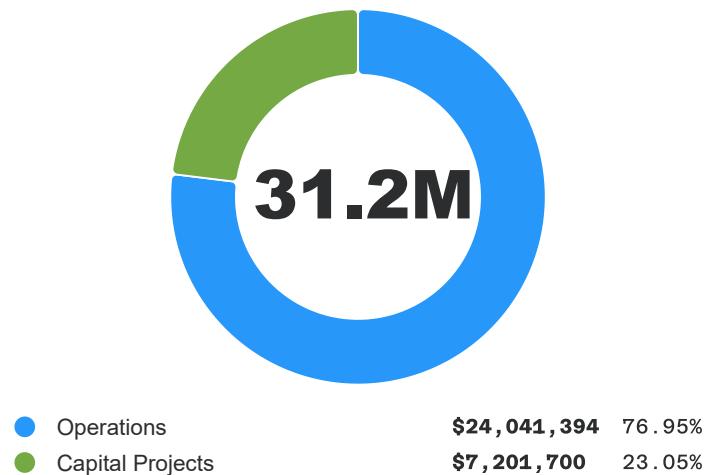
825.01 Interdepartmental Charges-Insurance: \$54,500 - This account provides expenditures for the cost for risk management services.

Electric

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



2026 Expenditures by Activity



Expenditures by Activity

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
Operations	19,752,494	22,294,658	22,494,658	20,889,004	24,041,394	1,746,736	7.83%
Capital Projects	3,270,709	4,394,000	4,394,000	3,564,654	7,201,700	2,807,700	63.90%
Total Expenditures	23,023,203	26,688,658	26,888,658	24,453,658	31,243,094	4,554,436	17.07%

*Change column represents the increase/decrease (Incr/Decr) and percent from prior year Adopted to current year Budget.

Expenditures by Expense Category

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
PERSONNEL SERVICES AND BENEFITS	6,120,255	8,445,167	8,445,167	7,172,548	9,769,100	1,323,933	15.68%

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
GENERAL SUPPLIES	694,825	819,700	1,023,200	1,010,200	953,200	133,500	16.29%
POSTAGE AND FREIGHT	30,302	55,500	61,500	61,500	61,500	6,000	10.81%
FUELS/LUBRICANTS/ENERGY COSTS	8,458,633	7,555,500	7,555,500	7,515,500	7,555,500	-	0.00%
BOOKS AND PERIODICALS	546	2,000	3,000	3,000	2,000	-	0.00%
ALLOWANCES	10,093	11,000	11,000	11,000	11,000	-	0.00%
TRAVEL AND EDUCATION	47,253	122,000	122,000	100,000	121,100	-900	-0.74%
ADVERTISING AND PUBLISHING	28,923	30,000	30,000	20,000	30,000	-	0.00%
PROMOTION AND GRANTS	92,600	-	-	-	-	-	-
DUES AND MEMBERSHIPS	36,744	57,500	57,500	56,200	57,500	-	0.00%
PERMITS, LICENSES AND FEES	102,415	126,000	126,000	125,500	126,000	-	0.00%
CONTRACTUAL SERVICES	633,116	875,000	875,000	869,500	885,000	10,000	1.14%
PROFESSIONAL SERVICES	194,124	365,000	365,000	365,000	365,000	-	0.00%
RENTS AND LEASES	47,315	122,000	122,000	102,000	170,000	48,000	39.34%
UTILITIES	257,523	312,925	301,425	275,000	313,000	75	0.02%
MAJOR CAPITAL OUTLAY	3,270,709	4,394,000	4,394,000	3,564,654	7,201,700	2,807,700	63.90%
MINOR CAPITAL OUTLAY	15,883	37,500	38,500	27,500	37,500	-	0.00%
INTERDEPARTMENTAL CHARGES	1,595,020	1,927,210	1,927,210	1,743,900	2,022,944	95,734	4.97%
DEBT SERVICE	1,004,924	1,048,656	1,048,656	1,048,656	1,044,213	-4,443	-0.42%
OTHER COSTS	382,000	382,000	382,000	382,000	516,837	134,837	35.30%
Total Expenditures	23,023,203	26,688,658	26,888,658	24,453,658	31,243,094	4,554,436	17.07%

Funding Source

	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	Increase/ Decrease	% Change
KPU Enterprise Fund	23,023,203	26,688,658	26,888,658	24,453,658	31,243,094	4,554,436	17.07%
Total Funding	23,023,203	26,688,658	26,888,658	24,453,658	31,243,094	4,554,436	17.07%

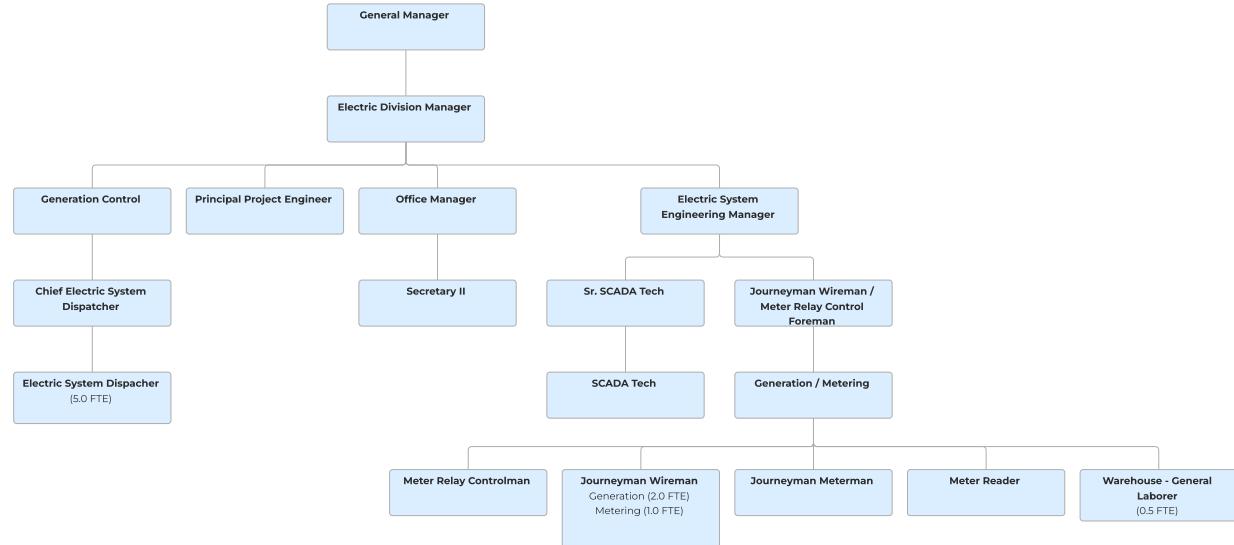
Full-time Equivalent Personnel

	2024 Actual	2025 Adopted	2025 Amended	2026 Budget	2026 Salary	Increase/ Decrease	% Change
Operations	43.40	43.40	43.40	43.40	5,488,370	-	0.0%
Total	43.40	43.40	43.40	43.40	5,488,370	-	0.0%

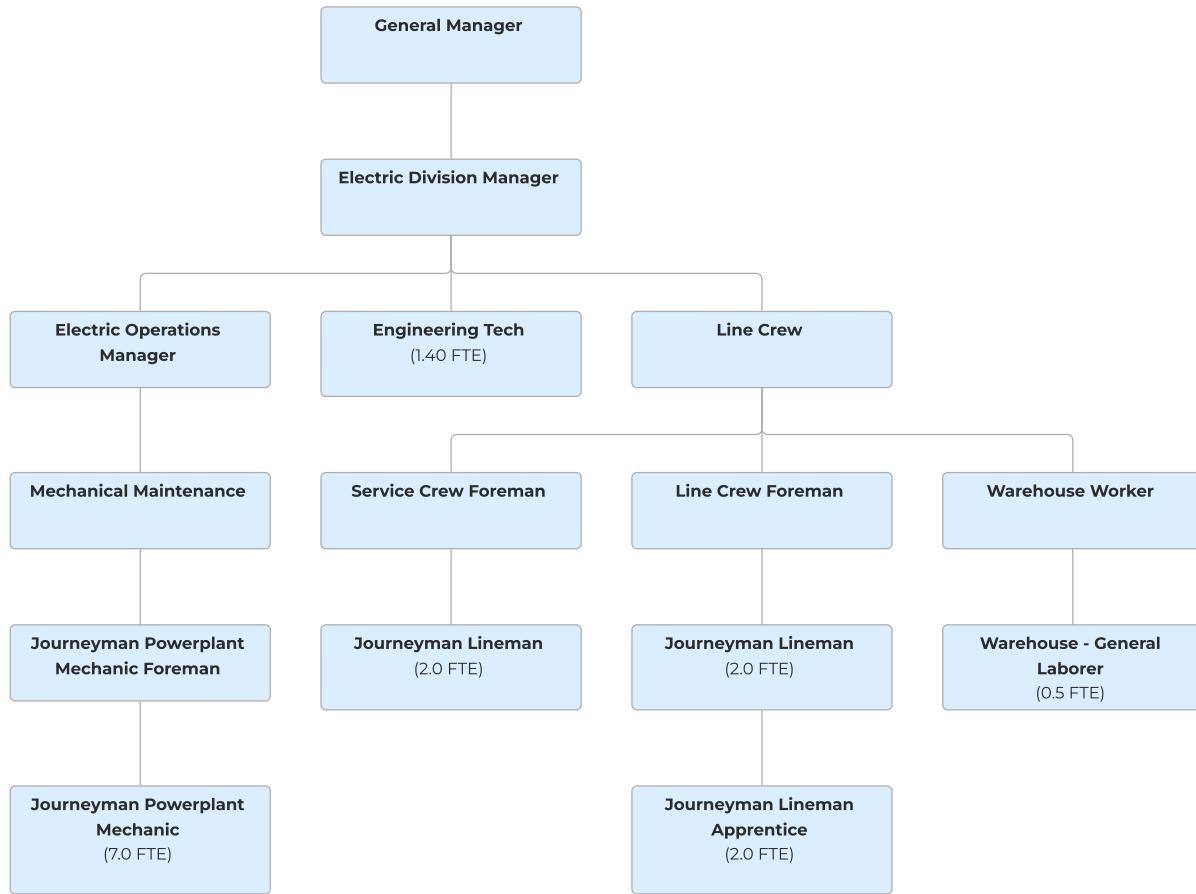
Electric Operations

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.

Electric Division Organization Chart - Part 1



Electric Division Organization Chart - Part 2



Goals for 2026

• Personnel:

- Assist the General Manager's office in the recruitment of a new Electric Division Manager to succeed Jeremy Bynum, who resigned effective March 19, 2025;
- Develop and implement a staffing plan that will allow the electric utility to perform its mission, as current staffing levels are insufficient to adequately provide service and the organization chart needs review and implementation;
- Develop a utility succession plan and recruit for critical positions anticipated to be vacated in 2026 through retirements;
- Add and develop additional personnel: utility engineer, staking technicians, engineering technician, facility supervision and utility laborers, fleet maintenance supervisor and mechanic, and records manager;
- Develop a comprehensive training program for staff; training has been neglected for many years and developing a training plan is critical for the division; and
- Recruit, hire and train as necessary the following unfilled positions vacated through retirements or vacancies: Field Operations & Engineering Manager, Generation Manager, System Dispatchers, Journeyman Lineman, Journeyman Wireman/Electricians, Journeyman Power Plant Mechanic, and other vacant positions.

• Safety and Environmental:

- Review and revise as necessary division safety policies and practices;
- Begin process for renewal of the Ketchikan Lakes Project FERC License;
- Begin process for renewal of the Bailey Title V Permit;
- 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.

• Facilities & Equipment:

- Perform a comprehensive condition assessment of all powerhouses;
- Develop a facilities plan, including a needs assessment of building a new electric utility service center, warehouse, and storage facility; and
- Develop a long-term fleet replacement plan.

• Generation:

- Continue to work with Southeast Alaska Power Agency (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 program;
- Continue developing and implementation of sectionalizing capability to minimize outage impacts and ease cold load pick-up;
- Continue with implementation of plans to replace the Ketchikan International Airport's submarine electrical cable;
- Partner in the completion of the Metlakatla-Ketchikan Intertie (MKI);
- Reroute the 35kV sub transmission between Ketchikan Substation and Mountain Point Substation; the current route is accessible from the road and creates a system vulnerability; and
- Perform a comprehensive evaluation of substations and system underground electrical systems.

2025 Accomplishments

KPU Electric continues maintaining essential generation and transmission services despite being short staffed and underfunded. Throughout the year, the division has operated at roughly sixty-seven percent (67%) 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.

In 2025, the following vacant positions have been filled: journeyman lineman (2 FTEs), journeyman lineman apprentice (1 FTE), journeyman power plant mechanic (1 FTE), and 3 temporary laborers were used for the busy summer season. With City Council authorization and through a Memorandum of Agreement with the International Brotherhood of Electrical Workers, 3 National Electrical Contractors Association (NECA) temporary contract journeyman linemen were utilized from June through the fall to perform deferred transmission and distribution maintenance projects. This work was complimented with pole replacement work performed by a contractor.

KPU Electric has effectively worked with 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.

The division assisted the General Manager's office in the recruitment of a new Electric Division Manager following the resignation of Jeremy Bynum.

Safety and Environmental:

- Completed a construction project to modify the Whitman Powerhouse Tailrace
- Completed and filed the Preliminary Application Document and Study Plan for Ketchikan Lakes FERC Relicensing
- Received new Title V Air Quality Permit for continued operation of the Bailey Power Plant
- Issued a contract for, and started design for a low-level outlet for Ketchikan Lakes Dam

Customer Service:

- Installed 115 new services and 105 upgrades to existing services from 100 amp to 200 amp service or 200 amp to 400 amp service

Transmission and Distribution Facilities:

- Replaced approximately 76 utility poles, 6 damaged crossarms, 9 damaged jumpers on the 34.5 kV circuit connecting the utility's substations, hundreds of degraded insulators, 27 transformers, installed approximately 30,000 ft. of wire and cable
- Completed a rebuild of all poles and wires on Grant Street
- Completed a rebuild and relocation of poles and wires in the Whipple Creek area (in progress)
- Replaced all 24.5 kV insulators from the Silvis substation to the Beaver Falls substation and most of the crossarms (in progress)
- Finished Ketchikan substation insulator and cable replacement and bird guard installation (in progress)
- All new cable and junction boxes on Terminal Way as part of the Ketchikan Airport Terminal improvements project (in progress)
- Replaced the underground cable between downtown vaults 4 through 2 while placed vault 3 PME online (in progress)
- Bethe substation conduit splicing needed to put the Bethe Feeder 3 online (in progress)
- Installed a booster transformer to give better voltage to all residents of Clam Cove on Gravina Island

Generation and Maintenance:

- Hatchery valve change at Ketchikan Plant
- Whitman cooling water and domestic water upgrades
- Silvis Lakes road repair
- Rebuilt undercarriage on Link-belt 160 excavator
- Completed tune-ups on North Point Higgins Cat generator 3516b engines

- Repaired the crack on the Upper Silvis spillway
- Painted North Point Higgins Cat generator containers
- Painted the backside of Ketchikan Powerhouse
- Replaced fascia and gutters on Beaver Falls equipment shed
- Troubleshoot BAG 3 trip and shutdown problems
- Performed 5-year penstock thickness testing on all penstocks
- Repaired leaks at Ketchikan Lakes tunnel valves
- Brushed all dams and powerhouses

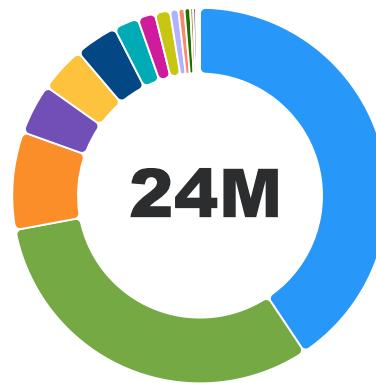
Funding Source

	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	Increase/ Decrease	% Change
KPU Enterprise Fund	19,752,494	22,294,658	22,494,658	20,889,004	24,041,394	1,746,736	7.83%
Total Funding	19,752,494	22,294,658	22,494,658	20,889,004	24,041,394	1,746,736	7.83%

Full-time Equivalent Personnel

	2024	2025	2025	2026	2026	Increase/ Decrease	% Change
	Actual	Adopted	Amended	Budget	Salary		
Division Manager	1.00	1.00	1.00	1.00	244,880	-	0.0%
Principal Project Engineer	1.00	-	-	-	-	-	-
CDS Engineer & RC Manager	-	1.00	1.00	1.00	176,740	-	0.0%
Operations Manager	1.00	-	-	-	-	-	-
Generation Manager	-	1.00	1.00	1.00	191,410	-	0.0%
Electric System Engineering Manager	1.00	-	-	-	-	-	-
Field Operations & Engineering Manager		1.00	1.00	1.00	191,410	-	0.0%
Office Manager	1.00	1.00	1.00	1.00	88,210	-	0.0%
Administrative Assistant	-	-	-	-	-	-	-
Secretary II	1.00	1.00	1.00	1.00	57,450	-	0.0%
GENERATION CONTROL							
Chief System Dispatcher	1.00	1.00	1.00	1.00	142,150	-	0.0%
System Dispatcher	5.00	5.00	5.00	5.00	631,600	-	0.0%
System Dispatcher-Relief	1.00	1.00	1.00	-	-	(1.00)	-100.0%
SCADA							
Senior SCADA Technician	1.00	1.00	1.00	1.00	127,540	-	0.0%
SCADA Technician	1.00	1.00	1.00	1.00	121,460	-	0.0%
LINE CREWS							
Electric Project Manager	-	1.00	1.00	1.00	166,580	-	0.0%
Line Crew Foreman	1.00	1.00	1.00	1.00	154,930	-	0.0%
Service Crew Foreman	1.00	1.00	1.00	1.00	154,930	-	0.0%
Apparatus Substation Tech	1.00	1.00	1.00	-	(1.00)	-	-100.0%
Lineman	4.00	3.00	3.00	3.00	429,620	-	0.0%
Lineman Apprentice	1.00	1.00	1.00	2.00	214,840	1.00	100.0%
ELECTRICIANS							
Wireman/Meter Relay Control Foreman	1.00	1.00	1.00	1.00	136,680	-	0.0%
Meterman	1.00	1.00	1.00	1.00	121,460	-	0.0%
Wireman/Electrician	3.00	3.00	3.00	3.00	364,380	-	0.0%
Meter Relay Controlman	1.00	1.00	1.00	1.00	127,540	-	0.0%
Meter Reader/Analyst	1.00	1.00	1.00	1.00	79,550	-	0.0%
Warehouse-Relief Meter Reader	0.50	0.50	0.50	0.50	49,120	-	0.0%
MECHANICAL MAINTENANCE							
Powerplant Mechanic Foreman	1.00	1.00	1.00	1.00	136,680	-	0.0%
Powerplant Mechanic	7.00	7.00	7.00	7.00	850,220	-	0.0%
Powerplant Mechanic-Relief	1.00	1.00	1.00	1.00	121,460	-	0.0%
General Laborer	-	-	-	1.00	61,850	1.00	100.0%
OTHER							
Senior Warehouse Procurement	1.00	1.00	1.00	1.00	110,520	-	0.0%
Electric Warehouse Procurement Technic	0.50	0.50	0.50	0.50	49,120	-	0.0%
Engineering Tech-CADD & GIS	1.40	1.40	1.40	1.40	120,440	-	0.0%
General Laborer	1.00	1.00	1.00	1.00	65,600	-	0.0%
Total	43.40	43.40	43.40	43.40	5,488,370		

2026 Expenditures by Category



● PERSONNEL SERVICES AND BENEFITS	\$9,769,100	40.63%
● FUELS/LUBRICANTS/ENERGY COSTS	\$7,555,500	31.43%
● INTERDEPARTMENTAL CHARGES	\$2,022,944	8.41%
● DEBT SERVICE	\$1,044,213	4.34%
● GENERAL SUPPLIES	\$953,200	3.96%
● CONTRACTUAL SERVICES	\$885,000	3.68%
● OTHER COSTS	\$516,837	2.15%
● PROFESSIONAL SERVICES	\$365,000	1.52%
● UTILITIES	\$313,000	1.30%
● RENTS AND LEASES	\$170,000	0.71%
● PERMITS, LICENSES AND FEES	\$126,000	0.52%
● TRAVEL AND EDUCATION	\$121,100	0.50%
● POSTAGE AND FREIGHT	\$61,500	0.26%
● DUES AND MEMBERSHIPS	\$57,500	0.24%
● MINOR CAPITAL OUTLAY	\$37,500	0.16%
● ADVERTISING AND PUBLISHING	\$30,000	0.12%
● ALLOWANCES	\$11,000	0.05%
● BOOKS AND PERIODICALS	\$2,000	0.01%

Operating Budget Changes for 2026

Changes between the adopted operating budget for 2025 and the proposed operating budget for 2026 that are greater than 5% **and** \$5,000 are discussed below.

- Personnel Services and Benefits increased by \$1,323,933 or 15.68% due to the inclusion of budget for the positions that were funded at 50% in 2025, a 5.0% cost of living adjustment effective January 1, 2026 and increases in pension, health insurance and other benefit costs.
- Infrastructure and Plant Maintenance Materials (Account 515.05) increased by \$130,000, or by 22.8%. Increased staffing levels requires the purchase of additional materials to complete necessary infrastructure and plant maintenance.
- Freight-Materials & Supplies (Account 520.04) increased by \$6,000, or by 11.1% due to additional materials shipping costs.
- Janitorial & Cleaning Service (Account 635.02) increased by \$5,000, or by 33.3% due to increased cost of cleaning services.
- Rents and Leases – Lands and Buildings (Account 645.01) increased by \$48,000, or by 52.2% due to the additional warehouse rental space approved by the City Council in 2025.
- Payments in Lieu of Taxes (Account 975.00) increased by \$134,837 or 35.3% due to the increase in market value.

Expenditures by Expense Category

Category	Account ID	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
PERSONNEL SERVICES AND BENEFITS								
Personnel Services and Wages - Regular Wages	520-5200-500.01	3,507,594	4,644,315	4,404,315	3,648,605	5,488,370	844,055	18.17%
Personnel Services and Wages - Regular Longevity Bonus	520-5200-500.05	37,535	44,100	44,100	39,150	33,860	-10,240	-23.22%
Personnel Services and Wages - Overtime Wages - Straight/Double OT	520-5200-501.01	569,607	725,000	725,000	725,000	600,000	-125,000	-17.24%
Personnel Services and Wages - Temporary Wages	520-5200-502.01	13,170	70,000	310,000	215,000	70,000	-	0.00%
Personnel Benefits - Taxes Budget Only	520-5200-505.00	295,035	419,608	419,608	354,100	473,750	54,142	12.90%
Personnel Benefits - Pension Budget Only	520-5200-506.00	724,642	951,788	951,788	831,000	1,172,590	220,802	23.20%
Personnel Benefits - Insurance Budget Only	520-5200-507.00	822,215	1,155,663	1,155,663	925,000	1,393,740	238,077	20.60%
Personnel Benefits - Insurance Worker's Compensation	520-5200-507.30	63,017	97,467	97,467	97,467	95,500	-1,967	-2.02%
Personnel Benefits - Other Budget Only	520-5200-508.00	82,400	192,926	192,926	192,926	296,990	104,064	53.94%
Payroll Allowances KPU Clothing	520-5200-509.04	5,040	8,800	8,800	8,800	8,800	-	0.00%
Payroll Allowances Moving Expense - Taxed	520-5200-509.07	-	135,000	135,000	135,000	135,000	-	0.00%
Payroll Allowances Medical Expense	520-5200-509.08	-	500	500	500	500	-	0.00%
Total PERSONNEL SERVICES AND BENEFITS		6,120,255	8,445,167	8,445,167	7,172,548	9,769,100	1,323,933	15.68%
GENERAL SUPPLIES								
General Supplies Office Supplies	520-5200-510.01	16,770	20,000	20,000	10,000	20,000	-	0.00%
General Supplies Operating Supplies	520-5200-510.02	5,975	10,000	10,000	10,000	10,000	-	0.00%
General Supplies Safety Program Supplies	520-5200-510.03	19,671	25,500	29,000	29,000	29,000	3,500	13.73%
General Supplies Janitorial Supplies	520-5200-510.04	666	700	700	700	700	-	0.00%
General Supplies Small Tools & Equipment	520-5200-510.05	35,036	40,000	40,000	40,000	40,000	-	0.00%
Maintenance Materials Vehicle Maintenance Materials	520-5200-515.01	75,110	83,000	83,000	80,000	83,000	-	0.00%
Maintenance Materials Building and Grounds Maintenance	520-5200-515.02	12,215	10,000	10,000	10,000	10,000	-	0.00%
Maintenance Materials Furniture & Fixtures	520-5200-515.03	389	500	500	500	500	-	0.00%
Maintenance Materials Machinery & Equipment Maint.	520-5200-515.04	30,330	60,000	60,000	60,000	60,000	-	0.00%
Maintenance Materials Infrastructure & Plant Maint.	520-5200-515.05	498,663	570,000	770,000	770,000	700,000	130,000	22.81%
Total GENERAL SUPPLIES		694,825	819,700	1,023,200	1,010,200	953,200	133,500	16.29%
POSTAGE AND FREIGHT								
Postage and Freight Postage	520-5200-520.02	882	1,500	1,500	1,500	1,500	-	0.00%
Postage and Freight Materials & Supplies	520-5200-520.04	29,420	54,000	60,000	60,000	60,000	6,000	11.11%
Total POSTAGE AND FREIGHT		30,302	55,500	61,500	61,500	61,500	6,000	10.81%
FUELS/LUBRICANTS/ENERGY COSTS								
Fuels, Lubricants and Energy Costs Generation Diesel Fuel	520-5200-525.01	145,797	350,000	350,000	350,000	350,000	-	0.00%

Category	Account ID	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
Fuels, Lubricants and Energy Costs Generation Oils & Lubricants	520-5200-525.02	3,295	50,000	50,000	10,000	50,000	-	0.00%
Fuels, Lubricants and Energy Costs Heating Fuel	520-5200-525.03	5,899	9,000	9,000	9,000	9,000	-	0.00%
Fuels, Lubricants and Energy Costs Vehicle Fuels & Lubricants	520-5200-525.04	42,906	50,000	50,000	50,000	50,000	-	0.00%
Fuels, Lubricants and Energy Costs Purchased Power	520-5200-525.05	8,260,406	6,882,000	6,882,000	6,882,000	6,882,000	-	0.00%
Fuels, Lubricants and Energy Costs Machinery & Equipment	520-5200-525.07	330	2,500	2,500	2,500	2,500	-	0.00%
Fuels, Lubricants and Energy Costs Whitman Lake - SEAPA True-up	520-5200-525.10	-	212,000	212,000	212,000	212,000	-	0.00%
Total FUELS/LUBRICANTS/ENERGY COSTS		8,458,633	7,555,500	7,555,500	7,515,500	7,555,500	-	0.00%
BOOKS AND PERIODICALS								
Books and Periodicals Periodicals	520-5200-530.02	546	1,000	1,500	1,500	1,000	-	0.00%
Books and Periodicals Professional & Technical Pubs	520-5200-530.03	-	1,000	1,500	1,500	1,000	-	0.00%
Total BOOKS AND PERIODICALS		546	2,000	3,000	3,000	2,000	-	0.00%
ALLOWANCES								
Allowances Business and Meal Expense	520-5200-535.02	1,713	2,500	2,500	2,500	2,500	-	0.00%
Allowances Special Protective Clothing	520-5200-535.05	8,380	8,500	8,500	8,500	8,500	-	0.00%
Total ALLOWANCES		10,093	11,000	11,000	11,000	11,000	-	0.00%
TRAVEL AND EDUCATION								
Travel and Education Travel - Business	520-5200-600.01	14,796	25,650	25,650	25,000	25,000	-650	-2.53%
Travel and Education Travel - Training	520-5200-600.02	5,456	45,100	45,100	44,000	45,100	-	0.00%
Travel and Education Training and Education	520-5200-600.03	27,001	51,250	51,250	31,000	51,000	-250	-0.49%
Total TRAVEL AND EDUCATION		47,253	122,000	122,000	100,000	121,100	-900	-0.74%
ADVERTISING AND PUBLISHING								
Advertising and Publishing Ads and Public Announcements	520-5200-605.01	28,923	30,000	30,000	20,000	30,000	-	0.00%
Total ADVERTISING AND PUBLISHING		28,923	30,000	30,000	20,000	30,000	-	0.00%
PROMOTION AND GRANTS								
Contributions, Grants and Subsidies Community Agency Grants	520-5200-610.02	92,600	-	-	-	-	-	-
Total PROMOTION AND GRANTS		92,600	-	-	-	-	-	-
DUES AND MEMBERSHIPS								
Dues and Memberships Professional Lic. and Certs.	520-5200-615.01	260	2,500	2,500	1,200	2,500	-	0.00%
Dues and Memberships Assoc. Membership Dues & Fees	520-5200-615.02	36,484	55,000	55,000	55,000	55,000	-	0.00%
Total DUES AND MEMBERSHIPS		36,744	57,500	57,500	56,200	57,500	-	0.00%
PERMITS, LICENSES AND FEES								
Licenses and Fees Building & Operating Permits	520-5200-630.01	102,090	125,000	125,000	125,000	125,000	-	0.00%
Licenses and Fees Vehicle Licenses	520-5200-630.02	325	1,000	1,000	500	1,000	-	0.00%

Category	Account ID	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
Total PERMITS, LICENSES AND FEES		102,415	126,000	126,000	125,500	126,000	-	0.00%
CONTRACTUAL SERVICES								
Contractual Services Janitorial & Cleaning Services	520-5200-635.02	8,774	15,000	15,000	15,000	20,000	5,000	33.33%
Contractual Services Vehicle Maintenance Services	520-5200-635.03	182	5,000	5,000	4,000	5,000	-	0.00%
Contractual Services Software & Equip Maint Services	520-5200-635.04	83,996	120,000	120,000	120,000	125,000	5,000	4.17%
Contractual Services Building and Grounds Maint. Svc	520-5200-635.06	1,393	5,000	5,000	3,000	5,000	-	0.00%
Contractual Services Infrastructure & Plant Maint Svc	520-5200-635.08	37,895	40,000	40,000	40,000	40,000	-	0.00%
Contractual Services Disposal Services	520-5200-635.09	885	15,000	15,000	12,500	15,000	-	0.00%
Contractual Services Technical Services	520-5200-635.12	479,376	650,000	650,000	650,000	650,000	-	0.00%
Contractual Services Other Contractual Services	520-5200-635.14	20,615	25,000	25,000	25,000	25,000	-	0.00%
Total CONTRACTUAL SERVICES		633,116	875,000	875,000	869,500	885,000	10,000	1.14%
PROFESSIONAL SERVICES								
Professional Services Engineering & Architectural Svcs	520-5200-640.02	84,498	100,000	100,000	100,000	100,000	-	0.00%
Professional Services Management & Consulting Services	520-5200-640.04	109,626	265,000	265,000	265,000	265,000	-	0.00%
Total PROFESSIONAL SERVICES		194,124	365,000	365,000	365,000	365,000	-	0.00%
RENTS AND LEASES								
Rents and Leases Land & Buildings	520-5200-645.01	41,142	92,000	92,000	92,000	140,000	48,000	52.17%
Rents and Leases Machinery & Equipment	520-5200-645.02	6,173	30,000	30,000	10,000	30,000	-	0.00%
Total RENTS AND LEASES		47,315	122,000	122,000	102,000	170,000	48,000	39.34%
UTILITIES								
Utilities Telecommunications	520-5200-650.01	207,193	262,925	251,425	225,000	263,000	75	0.03%
Utilities Electric, Water, Sewer & Garbage	520-5200-650.02	50,330	50,000	50,000	50,000	50,000	-	0.00%
Total UTILITIES		257,523	312,925	301,425	275,000	313,000	75	0.02%
MINOR CAPITAL OUTLAY								
Minor Capital Outlay Furniture & Fixtures	520-5200-790.15	4,319	6,000	6,000	5,000	6,000	-	0.00%
Minor Capital Outlay M&E-Computers Printers & Copier	520-5200-790.26	10,028	25,000	25,000	15,000	25,000	-	0.00%
Minor Capital Outlay Software	520-5200-790.35	1,536	6,500	7,500	7,500	6,500	-	0.00%
Total MINOR CAPITAL OUTLAY		15,883	37,500	38,500	27,500	37,500	-	0.00%
INTERDEPARTMENTAL CHARGES								
Interdepartmental Charges-Admin Mayor & Council	520-5200-800.01	42,499	57,614	57,614	57,565	53,959	-3,655	-6.34%
Interdepartmental Charges-Admin City Clerk	520-5200-800.02	91,739	131,987	131,987	102,998	147,887	15,900	12.05%
Interdepartmental Charges-Admin City Attorney	520-5200-800.03	76,256	84,309	84,446	84,447	86,843	2,534	3.01%
Interdepartmental Charges-CMO & HR Human Resources	520-5200-801.01	97,083	144,070	137,453	101,210	139,485	-4,585	-3.18%
Interdepartmental Charges-Finance General Accounting	520-5200-802.01	497,124	624,740	624,740	547,240	647,680	22,940	3.67%
Interdepartmental Charges-IT Information Technology	520-5200-803.01	339,002	353,570	353,570	305,040	381,590	28,020	7.92%

Category	Account ID	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
Interdepartmental - Engineering	520-5200-804.01	-	-	-	8,000	10,000	10,000	-
Interdepartmental Charges Insurance	520-5200-825.01	451,317	530,920	537,400	537,400	555,500	24,580	4.63%
Total INTERDEPARTMENTAL CHARGES		1,595,020	1,927,210	1,927,210	1,743,900	2,022,944	95,734	4.97%
DEBT SERVICE								
Debt Service - Principal Bond Payments	520-5200-931.01	905,000	915,000	915,000	915,000	920,000	5,000	0.55%
Debt Service - Interest Bond Payments	520-5200-932.01	139,446	133,656	133,656	133,656	124,213	-9,443	-7.07%
Debt Service - Interest Deferred Amount on Refunding	520-5200-932.53	-39,522	-	-	-	-	-	-
Total DEBT SERVICE		1,004,924	1,048,656	1,048,656	1,048,656	1,044,213	-4,443	-0.42%
OTHER COSTS								
Payments In Lieu of Taxes General	520-5200-975.00	382,000	382,000	382,000	382,000	516,837	134,837	35.30%
Total OTHER COSTS		382,000	382,000	382,000	382,000	516,837	134,837	35.30%
Total Expenditures		19,752,494	22,294,658	22,494,658	20,889,004	24,041,394	1,746,736	7.83%

*Change column represents the increase/decrease (Incr/Decr) and percent from prior year Adopted to current year Budget.

Operating Account Narrative

500.01 Regular Salaries and Wages: \$5,488,370 - This account provides expenditures for compensation paid to all regular salaried and hourly employees of the Electric Division.

500.05 Longevity Pay: \$33,860 – Employees may be awarded a bonus upon their anniversary to recognize employees who have remained with the City and KPU for at least 15 years.

501.01 Overtime Wages: \$600,000 - 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: \$473,750 – This account provides expenditures for employer contributions for Social Security and Medicare and other similar payroll related taxes.

506.00 Pension: \$1,172,590 – This account provides expenditures for employer contributions to retirement plans.

507.00 Health and Life Insurance: \$,393,740 – This account provides expenditures for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation \$95,500 – This account provides expenditures for employer contributions for workers compensation.

508.00 Other Benefits: \$296,990 – 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: \$135,000 – 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: \$20,000 - This account provides expenditures for paper, pens, pencils, adding machine ribbons and tape, note pads, file folders, scotch tape, toner, ink cartridges, photocopy charges, small desk accessories and minor office equipment such as adding machines, staplers, comb binding machines and tape dispensers.

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

510.03 Safety Program Supplies: \$29,000 - 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: \$700 – This account provides expenditures for cleaning and sanitation supplies used by in-house and contracted janitors.

510.05 Small Tools and Equipment: \$40,000 - 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: \$83,000 - 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: \$700,000 – 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: \$60,000 - 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: \$50,000 - 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.

525.07 Machinery and Equipment Fuel and Lubricants: \$2,500 - 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: \$1,000 - This account provides expenditures for newspapers, magazines and trade journals.

530.03 Professional and Technical Publications: \$1,000 - 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: \$2,500 - This account provides expenditures for reimbursements to employees for business and job related meals and other business related expenses.

535.05 Special Protective Clothing: \$8,500 - 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: \$45,100 - This account provides expenditures for transportation, lodging, meals, per diems and other incidental expenses associated with travel for training.

600.03 Training and Education: \$51,000 - 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: \$30,000 - 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.

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: \$55,000 - 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: \$1,000 – This account provides expenditures for licensing the division's vehicles for operations on public highways.

635.02 Janitorial and Cleaning Services: \$20,000 – 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: \$125,000 – 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: \$5,000 - 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: \$650,000 - 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: \$25,000 - 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 hydrology studies, system protection, system assessment and load growth studies.

640.04 Management and Consulting Services: \$265,000 - 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 FERC, DEC, OSHA and National Electric Safety Code.

645.01 Rents and Leases - Land and Buildings: \$140,000 - This account provides expenditures for the rent and lease of land and buildings for storage yards, covered storage facilities, and additional office space needed once vacant administrative positions have been filled, 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: \$263,000 - 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: \$6,000 - 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 \$25,000 - This account provides expenditures for machinery and equipment usually composed of a complex combination of parts. Included are office equipment and operating equipment required to provide services or maintain capital assets. The Electric Division will acquire four new desktop computer workstations, four monitors, one laptop, two printers, and three UPC battery backups for staff per the computer replacement schedule developed by the Information Technology Department.

790.35 Software: \$6,500 - This account provides expenditures for acquisition of software systems and upgrades not covered by maintenance agreements.

800.01 Interdepartmental Charges – Mayor & Council: \$53,959 This account provides expenditures for administrative and management services provided by the departments of the City Council.

800.02 Interdepartmental Charges – City Clerk: \$147,887 This account provides expenditures for administrative and management services provided by the departments of the City Clerk.

800.03 Interdepartmental Charges – City Attorney: \$86,843 This account provides expenditures for administrative and management services provided by the departments of the City Attorney.

801.01 Interdepartmental Charges – Human Resources: \$139,485 - This account provides expenditures for human resource services provided by the Human Resources Division.

802.01 Interdepartmental Charges - Finance: \$647,680 - 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: \$381,590 - This account provides expenditures for information technology services provided by the Information Technology Department.

804.01 Interdepartmental Charges – Engineering: \$10,000 - This account provides expenditures for engineering services provided by the Public Works Department-Engineering Division.

825.01 Interdepartmental Charges – Insurance: \$555,500 - This account provides expenditures for risk management services and claims.

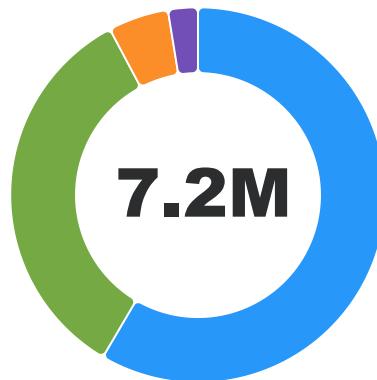
931.01 Debt Service-Principal: \$920,000 - This account provides expenditures for principal on revenue bonds.

932.01 Debt Service-Interest: \$124,213 - This account provides expenditures for interest on revenue bonds.

975.00 Payment in Lieu of Taxes: \$516,837 - This account provides expenditures for payments in lieu of taxes assessed against the enterprise funds of the City.

Electric Capital Program

2026 Expenditures by Type



● Capital Projects	\$4,210,000	58.46%
● Machinery & Equipment	\$2,431,700	33.77%
● Buildings	\$375,000	5.21%
● Vehicles & Moving Equipment	\$185,000	2.57%

Expenditures by Expense Type

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
Buildings	-	50,000	50,000	-	375,000	325,000	650.00%
Vehicles & Moving Equipment	186,143	60,000	60,000	50,000	185,000	125,000	208.33%
Machinery & Equipment	491,114	2,200,000	2,155,000	1,775,654	2,431,700	231,700	10.53%
Capital Projects	2,593,452	2,084,000	2,129,000	1,739,000	4,210,000	2,126,000	102.02%
Total Expenditures	3,270,709	4,394,000	4,394,000	3,564,654	7,201,700	2,807,700	63.90%

Expenditures by Activity

Category	2026 Budget
Capital Projects	
Ketchikan Public Utilities (KPU) Fund	
Buildings General	375,000
Beaver Falls Powerhouse Exterior	375,000
Vehicles & Moving Equipment General	185,000
Vehicles & Moving Equipment	185,000
Machinery & Equipment General	2,431,700
Transformer Purchases	250,000
Battery Systems and Chargers	50,500
AMI, Meters and Meter Replacement Parts	125,000
Spare Substation Class Transformer Refurbishment	85,000
Beaver Falls Switch Gear Replacement	750,000
Feeder Protective Relay Upgrades	150,000
System Sectionalizers	100,000
Generator Rewind & Repair	325,000
34.5 kV Breaker Relay and Spares	105,000
Operating Equipment	491,200

Category	2026 Budget
Capital Projects Infrastructure & Plant	4,210,000
Ketchikan Lakes Project Relicensing	600,000
Transmission & Distribution Line Maintenance	450,000
Additional Projects	50,000
Penstock Inspection Program	100,000
Ketchikan International Airport Upgrade	1,565,000
Bailey Mooring Dolphin Replacement	200,000
Silvis Tunnel Valve	50,000
Whitman Part 12 Comprehensive Assessment	300,000
Lower Silvis Lake Submarine Cable Replacement	50,000
Reimbursable Projects	25,000
PLC Upgrades	250,000
Ward Cove Substation Slope Stabilization	300,000
Whitman Dam Crack Repair	120,000
Whitman Incubation Pipe Flow	50,000
Lower Silvis Dam Cleaning and Inspections	100,000
Total Ketchikan Public Utilities (KPU) Fund	7,201,700
Total Capital Projects	7,201,700
Total Expenditures	7,201,700

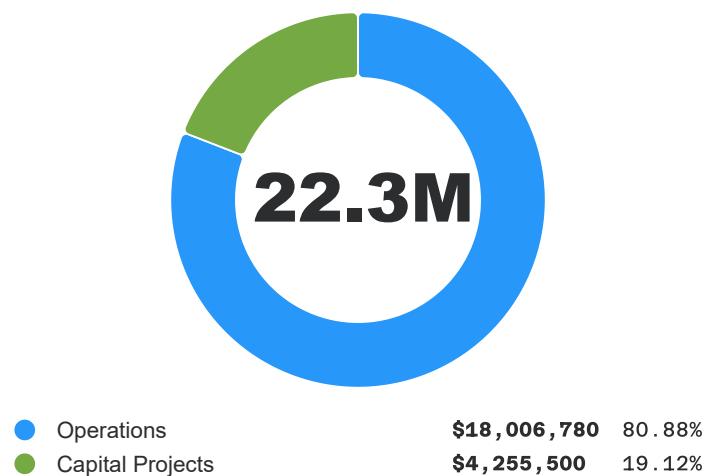
Telecommunications

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.



2026 Expenditures by Activity

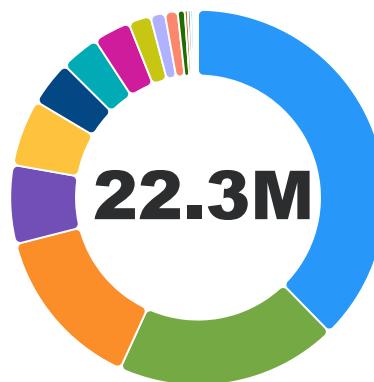


Expenditures by Activity

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
Operations	16,920,253	17,021,142	17,090,035	16,884,408	18,006,780	985,638	5.79%
Capital Projects	2,277,307	3,426,500	3,359,665	2,647,165	4,255,500	829,000	24.19%
Total Expenditures	19,197,560	20,447,642	20,449,700	19,531,573	22,262,280	1,814,638	8.87%

**Change column represents the increase/decrease (Incr/Decr) and percent from prior year Adopted to current year Budget.*

2026 Expenditures by Expense Category



● PERSONNEL SERVICES AND BENEFITS	\$8,390,270	37.69%
● MAJOR CAPITAL OUTLAY	\$4,255,500	19.12%
● RENTS AND LEASES	\$3,164,000	14.21%
● INTERDEPARTMENTAL CHARGES	\$1,508,523	6.78%
● CONTRACTUAL SERVICES	\$1,277,500	5.74%
● GENERAL SUPPLIES	\$870,000	3.91%
● DEBT SERVICE	\$744,050	3.34%
● PROFESSIONAL SERVICES	\$710,000	3.19%
● UTILITIES	\$430,000	1.93%
● OTHER COSTS	\$279,687	1.26%
● PERMITS, LICENSES AND FEES	\$246,500	1.11%
● TRAVEL AND EDUCATION	\$135,000	0.61%
● ADVERTISING AND PUBLISHING	\$59,500	0.27%
● DUES AND MEMBERSHIPS	\$50,000	0.22%
● POSTAGE AND FREIGHT	\$48,000	0.22%
● FUELS/LUBRICANTS/ENERGY COSTS	\$40,000	0.18%
● MINOR CAPITAL OUTLAY	\$27,500	0.12%
● ALLOWANCES	\$18,250	0.08%
● PROMOTION AND GRANTS	\$4,000	0.02%
● BOOKS AND PERIODICALS	\$4,000	0.02%

Expenditures by Expense Category

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
PERSONNEL SERVICES AND BENEFITS	7,367,563	7,847,652	7,828,292	7,896,420	8,390,270	542,618	6.91%
GENERAL SUPPLIES	639,747	849,500	894,893	829,500	870,000	20,500	2.41%
POSTAGE AND FREIGHT	38,562	52,000	52,000	46,000	48,000	-4,000	-7.69%
FUELS/LUBRICANTS/ENERGY COSTS	32,495	43,000	43,000	40,000	40,000	-3,000	-6.98%
BOOKS AND PERIODICALS	3,477	3,500	3,500	3,500	4,000	500	14.29%
ALLOWANCES	12,532	18,250	18,250	17,250	18,250	-	0.00%
TRAVEL AND EDUCATION	106,734	121,500	121,500	121,500	135,000	13,500	11.11%
ADVERTISING AND PUBLISHING	76,215	59,500	59,500	59,500	59,500	-	0.00%
PROMOTION AND GRANTS	77,415	4,000	4,000	4,000	4,000	-	0.00%
DUES AND MEMBERSHIPS	50,853	50,000	50,500	50,500	50,000	-	0.00%

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
PERMITS, LICENSES AND FEES	1,236,017	231,500	241,500	240,750	246,500	15,000	6.48%
CONTRACTUAL SERVICES	1,041,193	1,246,000	1,236,000	1,221,000	1,277,500	31,500	2.53%
PROFESSIONAL SERVICES	655,957	650,000	650,000	650,000	710,000	60,000	9.23%
RENTS AND LEASES	2,810,509	3,037,000	3,049,000	3,049,000	3,164,000	127,000	4.18%
UTILITIES	406,931	405,000	405,000	405,000	430,000	25,000	6.17%
MAJOR CAPITAL OUTLAY	2,277,307	3,426,500	3,359,665	2,647,165	4,255,500	829,000	24.19%
MINOR CAPITAL OUTLAY	8,881	21,000	32,000	26,000	27,500	6,500	30.95%
INTERDEPARTMENTAL CHARGES	1,403,743	1,427,040	1,446,400	1,269,788	1,508,523	81,483	5.71%
DEBT SERVICE	745,029	748,300	748,300	748,300	744,050	-4,250	-0.57%
OTHER COSTS	206,400	206,400	206,400	206,400	279,687	73,287	35.51%
Total Expenditures	19,197,560	20,447,642	20,449,700	19,531,573	22,262,280	1,814,638	8.87%

Funding Source

	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	Increase/ Decrease	% Change
KPU Enterprise Fund	19,197,560	20,447,642	20,449,700	19,531,573	22,262,280	1,814,638	8.87%
Total Funding	19,197,560	20,447,642	20,449,700	19,531,573	22,262,280	1,814,638	8.87%

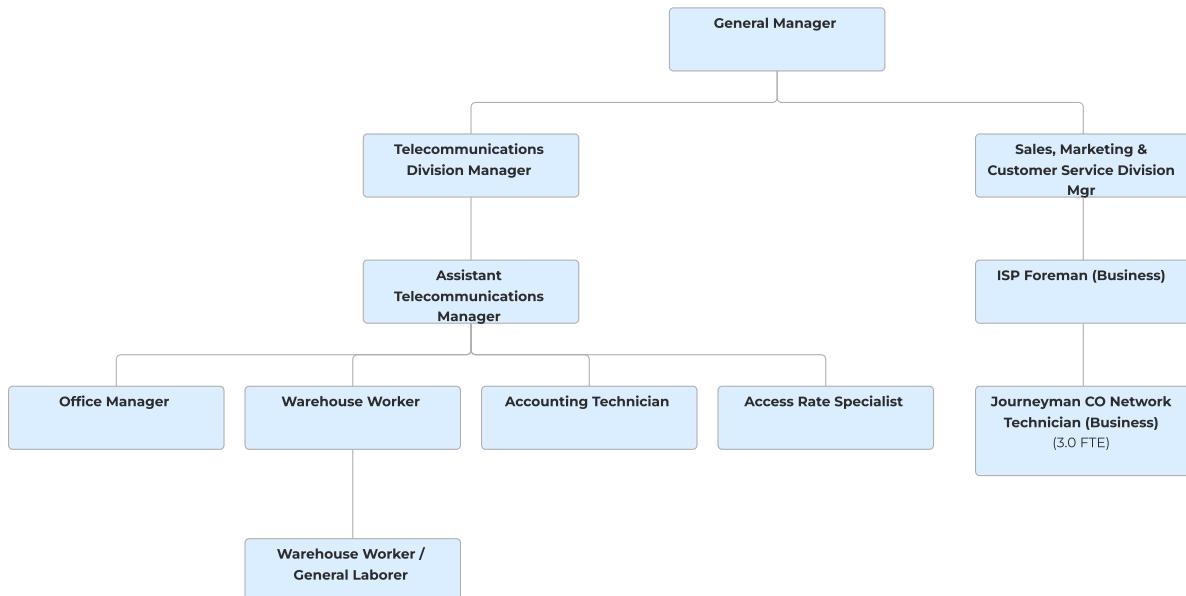
Full-time Equivalent Personnel

	2024 Actual	2025 Adopted	2025 Amended	2026 Budget	2026 Salary	Increase/ Decrease	% Change
Operations	43.00	43.00	43.00	43.00	4,824,930	-	0.0%
Total Funding	43.00	43.00	43.00	43.00	4,824,930	-	0.0%

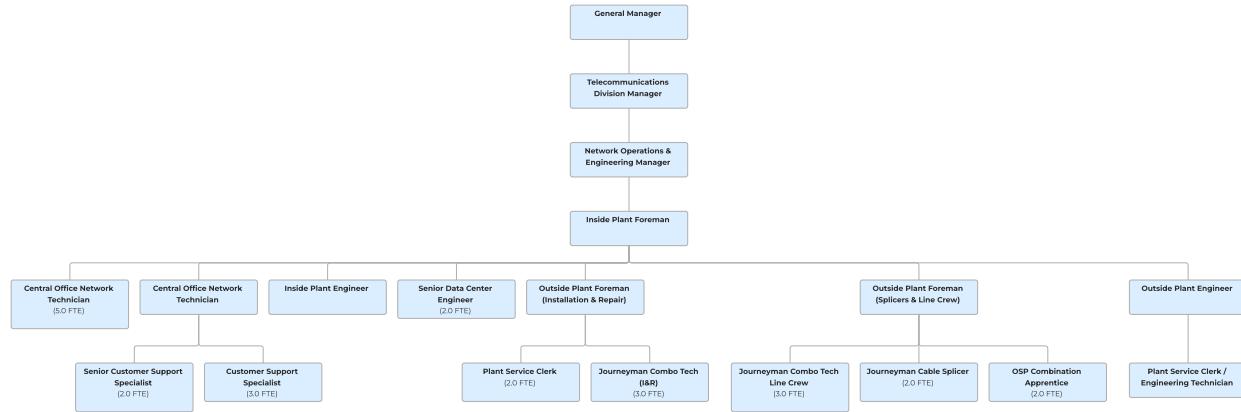
Telecommunications Operations

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.

Telecommunications Organizational Chart - Part 1



Telecommunications Organizational Chart - Part 2



Goals for 2026

The KPU Telecommunications (KPUTel) Division's 2026 operating and capital budget goals are primarily divided between Revenue & Competitive Strategy, Efficiency & Quality of Service, and Ongoing Operations.

Revenue & Competitive Strategy:

During the past couple years, KPUTel has made significant progress in providing fiber to the home services in multiple dwelling unit (MDU) buildings. Projects for 2025 included Mary Francis, Yorktown, and Bawden, among others. KPUTel will continue this program so that all residents have access to our highest internet speeds.

2025 marked the twelfth 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 the 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. KPUTel added additional sectors in both Ketchikan and Skagway in 2025 to help alleviate traffic congestion during the peak season. Additional sectors will continue to be added in 2026 to further improve wireless service in both communities.

The KetchCan1 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, KetchCan1 allows KPUTel to sell wholesale capacity to other providers and negotiate more effectively in increasing network redundancy. The undersea cable has performed flawlessly since November 1, 2020, in-service date. Unfortunately, outages in Canada have highlighted the need for KPUTel to eventually operate a 2nd undersea fiber or engage in a partnership or collaborative effort to exchange redundancy with another carrier.

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

KPUTel has significantly improved its cyber-security posture over the last few years by purchasing a best-in-class XDR (Extended Detection and Response) security solution deployed to detect network threats. The solution applies advanced machine learning profiling, and service-layer discovery to keep 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. KPUTel has migrated this system into the cloud, which has an impact on the operating budget, but opens up server capacity in the datacenter to sell to customers. Going forward, KPUTel anticipates its cyber-security needs and costs to increase due to cyber-attacks becoming increasingly sophisticated.

KPUTel launched a unified communication platform that integrates Webex into the BroadSoft switch. This allows amazing customer flexibility in integrating and managing voice calls into all of their devices and locations. KPUTel will continue to innovate by exploring new products and services that our customers desire and demand.

Efficiency:

The 2025 KPUTel budget included a job classification change of one Journeyman Combination Technician position to a Telephone Apprentice position. KPUTel has struggled to fill Journeyman Combination Technician positions so adding the Telephone Apprentice position will enable us to prepare for some known retirements while lessening the budget impact in the short term. Several of KPUTel's current employees have gone through the Apprentice Program, and IBEW has recently updated and improved the curriculum for the program to teach the necessary skills required for KPUTel's advanced fiber network.

Although the sunset of the KPU TV product has decreased the associated manpower needs, there continues to be a significant need in the shorter term to continue the buildouts of MDU buildings as well as completing fiber overlay projects to fulfill our performance obligations under the Alaska Connect Fund. Much of this work was previously completed using external contractors due to internal manpower constraints, but the work can now be completed in-house and therefore reduce costs. KPUTel also continues to look at other

opportunities that may require additional manpower in the longer term. As retirements and resignations happen over the next few years, we will adjust staffing and manpower needs without needing layoffs.

In 2026 we will also be looking at a tiered job structure for the Customer Support Specialist and Central Office Network Technician positions. This restructuring will allow employees to gain the skills and experience necessary for promotion without leaving KPUTel and working elsewhere to gain the requisite expertise for higher level positions. This will provide a growth path for the employees in these positions to progress as they acquire more skills and certifications. With this restructuring, good employees can be retained while having opportunities for advancement within the organization, thus increasing morale and minimizing staff turnover costs.

Noteworthy investments in the 2026 Capital Budget include:

The 2023 through 2025 budgets helped rectify some of the impacts of deferring capital investment from COVID, however, continued network upgrades are needed to prevent bottlenecks due to limited processing capacity of outdated hardware and new interface standards. The 2026 budget was prepared to continue to improve the quality of service and security and enable the network to deliver higher speeds and more consistent performance to customers. Some of the major projects are as follows:

Fiber to the Home – Several areas will require supplemental fiber construction to relieve a shortage of fiber. We will address several of these areas in 2026 with a large fiber overlay project.

Core Network – Replacement of key components of the core are programmed for the 2026 budget to transition to 100G architecture, enabling a tenfold capacity increase.

Vehicles – Replace the boat used to access sites off the road system and a service vehicle.

4G-LTE – Radios will be updated to add additional sectors to help alleviate wireless congestion.

KetchCan1 Subsea Fiber Cable – This was appropriated by the City Council beginning in 2022 and needs to continue to be appropriated annually for budgeting and accounting purposes. The impact is that it artificially increases our Capital Budget.

Public Wi-Fi Initiative - KPU will deploy a public Wi-Fi network to generate seasonal revenue while enhancing visitor connectivity. This network will also be engineered to allow priority access to first responders/emergency personnel, ensuring backup communications during peak summer activity and in times of crisis. By leveraging our existing fiber infrastructure, this project will maximize community benefit while creating a new revenue stream for the utility.

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 KPUTel services and other routine revenue generating items.

Quality of Service/Ongoing Operations:

The division's 2026 operating budget represents an increase of \$1,814,638 over the 2025 amended budget. The 2026 operating budget increase is absolutely necessary in order to begin addressing the operational deficiencies in the division's budget and accommodate anticipated inflation for 2026. The proposed spending plan will accomplish the goals of filling gaps in present operational needs, while maintaining a high quality of service to Ketchikan residents without risking ongoing operations.

2025 Accomplishments

Administration

- Advocated via the Alaska Telecom Association, with the Federal Communications Commission to extend and increase funding levels of the Alaska Plan which the FCC has called the Alaska Connect Fund. Alaska Connect Fund support amounts were increased by 30% in January 2025.
- Continued work with CityWest to improve our redundancy and bandwidth. Projects were completed in 2025 to increase capacity and speed for our customers.
- Increased internet speeds for customers.
- Participated in State Legislative fly-in and informed representatives about telecom industry progress.
- Worked with the Alaska Telecom Association and the National telecom associations to lobby the U.S. Supreme Court to uphold the constitutionality of the Universal Service Fund. In June 2025, the U.S. Supreme Court ruled that the Fund's contribution method does not violate the Constitution.
- Participated in electronic and in-person meetings with the Federal Communications Commission Commissioners and staff on the unique needs of Alaska and the importance of continued Universal Service Fund support.
- Upgraded the Ketchikan 4G/LTE site on the Fire Station by adding additional sectors to improve cellular service in the downtown area.
- Managed the implementation of new city-wide time and attendance software.
- Completed several Multi-Dwelling Unit projects to be able to offer fiber internet service to numerous new units.
- Completed a fiber overlay project on Alaska Avenue.

Network & Infrastructure Modernization

- Fiber & Copper Design: Completed 18 network designs supporting current and future projects.
- Major Projects Supported:
- KGB Airport underground facility rebuild.
- ADOT pole replacements at the mall and Gorge/Sayles Bridge.
- Change order/RFP modifications for the Back Island fiber infrastructure project.
- Research and design support for KIC/CIHA housing developments.
- Fiber Expansion: Completed Back Island fiber build, 15-Mile rebuild, and Firehall & Skagway cell site upgrades. Expanded downtown from 6 to 15 wireless sectors to support residents and cruise traffic.
- Capacity Growth: Added a second FTTH distribution frame in the Main CO, enabling service to 3,400 additional customers.

Core Systems & Data Center Modernization

- Virtualization & Compute:
- Retired IPTV-related VMs, reclaiming resources and cutting power use.
- Deployed six new Dell PowerEdge R760 hosts for VMware Voice and Main Clusters. These will also support our new Disaster Recovery site at North Point Higgins.
- Installed Dell PowerEdge R760 Veeam server and R360 Immutable Backup server for impervious system backups.
- Completed deployment of Dell Unity 380 drive array, and repurposed Unity 300 array for North Point Higgins mirroring.
- Softswitch & Voice Systems:
- Built VMs for the new NetSapiens SoftSwitch to replace the Taqua T7000; KPU staff trained through Crexendo workshops.
- Installed and tested new TelcoBridges Class 4 switch with SigTran SS7 replacement functionality.
- Migrated Session Border Controllers (SBCs) from hardware to VM solutions, expanding lab capabilities.
- Innovation & Testing: Deployed a RedHat OpenShift environment on reclaimed servers to evaluate future VMware alternatives and lab scenarios.

Security & Reliability

- Defense in Depth: Enhanced identity management via Semperis, user access management via Keeper, and behavior-based email protection through Abnormal AI.
- Enterprise Security: Migrated staff to the Island Enterprise Secure Browser and strengthened PAM/password policies.
- SOC 1.0 Established: Implemented weekly reports, analysis, and issue tracking, supporting a proactive security posture.
- NIST 2.0 Cybersecurity Framework: Began policy and procedure implementation, aligning KPU with national standards.

Community & Customer Enhancements

- Downtown/Public Wi-Fi: Completed the Splash Access Wi-Fi project, with service now active around the docks and downtown. This deployment is in its initial proof-of-concept/testbed stage, providing a platform to evaluate performance, refine the service model, and expand coverage in future phases to support tourism and port operations.
- KIC & CIHA Partnerships: Deployed 10-gig connectivity across KIC sites and supported housing projects with fiber-ready designs.
- New Customers & Expansions:
- Taquan Condos: Full fiber install with managed Unifi network.
- Ketchikan Ball Fields: Broadband and managed routers.
- Downtown Wi-Fi expansions supporting 13+ Port cameras.
- MDU Fiber Projects: Completed builds at 2708 Halibut, 659 Grant, 3220/3242 Baranof, 560 Thatcher, and 402 Carlanna; additional projects in progress.

Facilities & Redundancy

- Installed new HVAC units at City Hall, Eichner, and Knudson Cove offices.
- Added second power plant and battery bank at Mountain Point for redundancy.
- Ongoing building maintenance: truck barn heaters installed; truck barn siding project is nearly complete.
- Added site and switch redundancy to KPU Water's SCADA network, strengthening critical utility operations.

Looking Ahead (Remainder of 2025)

- Complete landfill cell site rebuild and airport feed cutover.
- Transition RT ticketing system to the cloud.
- Migrate legacy identity/authentication processes to Entra ID.
- Finish virtualization migration onto new VMware server hardware.
- Continue disaster recovery build-out at North Point Higgins.
- Remove remaining Cisco Skinny phones to retire legacy systems.
- Expand MDU projects (Mary Francis, Glacier Park, Washington Street, etc.).
- Implement fiber/Starlink redundant design for KPU Electric's SCADA network to improve resiliency during outages.
- Add 10 additional outdoor access points to expand public Wi-Fi coverage and refine the proof-of-concept testbed.
- Upgrade KPU to 2x100G BGP internet peerings with CityWest, ensuring faster, more resilient connectivity for customers and critical services.
- Rapid7 full-scope cybersecurity penetration test, simulating real-world attacks across network, application, wireless, and social-engineering domains, with expert remediation guidance.

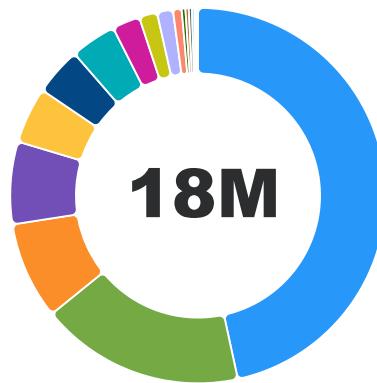
Funding Source

	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	Increase/ Decrease	% Change
KPU Enterprise Fund	19,920,253	22,294,658	22,494,658	20,889,004	24,041,394	1,746,736	7.83%
Total Funding	19,920,253	22,294,658	22,494,658	20,889,004	24,041,394	1,746,736	7.83%

Full-time Equivalent Personnel

	2024 Actual	2025 Adopted	2025 Amended	2026 Budget	2026 Salary	Increase/ Decrease	% Change
EXECUTIVE & PLANNING							
Division Manager	1.00	1.00	1.00	1.00	227,390	-	0.0%
Office Manager	1.00	1.00	1.00	1.00	75,840	-	0.0%
GENERAL & ADMINISTRATIVE							
Assistant Manager	1.00	1.00	1.00	1.00	180,240	-	0.0%
Tariff Specialist	1.00	1.00	1.00	1.00	88,200	-	0.0%
Access Rate Specialist	1.00	1.00	1.00	1.00	72,680	-	0.0%
Accounting Technician	1.00	1.00	1.00	1.00	67,320	-	0.0%
ENGINEERING SERVICES							
Engineering Manager	1.00	1.00	1.00	1.00	202,960	-	0.0%
Engineer	1.00	1.00	1.00	1.00	144,220	-	0.0%
Senior Datacenter Engineer	2.00	2.00	2.00	2.00	291,560	-	0.0%
Outside Plant Engineer	1.00	1.00	1.00	1.00	157,690	-	0.0%
PLANT SPECIFIC							
Outside Plant Foreman	2.00	2.00	2.00	2.00	251,970	-	0.0%
J Journeyman Cable Splicer	2.00	2.00	2.00	2.00	230,000	-	0.0%
J Journeyman Combination Tech	7.00	7.00	5.00	5.00	545,000	(2.00)	-28.6%
Inside Plant Foreman	2.00	2.00	2.00	2.00	272,400	-	0.0%
J Journeyman CO Network Tech	9.00	9.00	9.00	9.00	1,089,540	-	0.0%
Sr. Customer Support Specialist	2.00	2.00	2.00	2.00	154,680	-	0.0%
Customer Support Specialist	3.00	3.00	3.00	3.00	223,950	-	0.0%
Telecommunications Apprentice	-	-	2.00	2.00	135,240	2.00	NA
PLANT NON-SPECIFIC							
Plant Service Clerk	3.00	3.00	3.00	3.00	242,340	-	0.0%
Warehouse Worker	1.00	1.00	1.00	1.00	90,930	-	0.0%
Warehouse Worker/Laborer	1.00	1.00	1.00	1.00	80,780	-	0.0%
Total	43.00	43.00	43.00	43.00	4,824,930	-	0.0%

2026 Expenditures by Category



● PERSONNEL SERVICES AND BENEFITS	\$8,390,270	46.60%
● RENTS AND LEASES	\$3,164,000	17.57%
● INTERDEPARTMENTAL CHARGES	\$1,508,523	8.38%
● CONTRACTUAL SERVICES	\$1,277,500	7.09%
● GENERAL SUPPLIES	\$870,000	4.83%
● DEBT SERVICE	\$744,050	4.13%
● PROFESSIONAL SERVICES	\$710,000	3.94%
● UTILITIES	\$430,000	2.39%
● OTHER COSTS	\$279,687	1.55%
● PERMITS, LICENSES AND FEES	\$246,500	1.37%
● TRAVEL AND EDUCATION	\$135,000	0.75%
● ADVERTISING AND PUBLISHING	\$59,500	0.33%
● DUES AND MEMBERSHIPS	\$50,000	0.28%
● POSTAGE AND FREIGHT	\$48,000	0.27%
● FUELS/LUBRICANTS/ENERGY COSTS	\$40,000	0.22%
● MINOR CAPITAL OUTLAY	\$27,500	0.15%
● ALLOWANCES	\$18,250	0.10%
● PROMOTION AND GRANTS	\$4,000	0.02%
● BOOKS AND PERIODICALS	\$4,000	0.02%

Operating Budget Changes for 2026

Changes between the adopted operating budget for 2025 and the proposed operating budget for 2026 that are greater than 5% **and** \$5,000 are discussed below.

- Personnel Service and Benefits increased by \$542,618 or 6.91% due to step increases for eligible employees, a 5.0% cost of living adjustment for KPU IBEW and non-represented employees effective January 1, 2026; projected increases in pension, health insurance and other benefits.
- Technical Services (Account 635.12) increased by \$15,000, or 12.5% due to the increased cost of after-hours technical support to resolve service problem issues.
- Engineering & Architectural Services (Account 640.02) increased by \$60,000 or 12.25% due to the increased professional technical assistance required to accomplish network security initiatives, increased cyber-security needs, and overall increases in billing rates for technical professional services.
- Electric, Water, Sewer, & Garbage (Account 650.02) increased by \$25,000 or 10.9% due to increased electricity rates.
- Interdepartmental Charges increased by \$81,483 or 5.71% due to increases in the allocated departments. Insurance premium increases and 2025 claims that must be reflected in the 2026 budget account for the change in 825.01.

Expenditures by Expense Category

Category	Account ID	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
PERSONNEL SERVICES AND BENEFITS								
Personnel Services and Wages - Regular Wages	520-5300-500.01	4,202,981	4,556,321	4,556,321	4,526,964	4,824,930	268,609	5.90%
Personnel Services and Wages - Regular Longevity Bonus	520-5300-500.05	36,125	37,700	37,700	36,475	30,200	-7,500	-19.89%
Personnel Services and Wages - Overtime Wages - Straight/Double OT	520-5300-501.01	573,134	350,000	350,000	500,000	367,500	17,500	5.00%
Personnel Services and Wages - Temporary Wages	520-5300-502.01	17,932	24,000	24,000	20,000	24,000	-	0.00%
Personnel Benefits - Taxes Budget Only	520-5300-505.00	357,756	391,740	391,740	391,740	401,400	9,660	2.47%
Personnel Benefits - Pension Budget Only	520-5300-506.00	906,830	960,000	960,000	960,000	995,500	35,500	3.70%
Personnel Benefits - Insurance Budget Only	520-5300-507.00	1,058,028	1,233,150	1,213,790	1,175,500	1,368,450	135,300	10.97%
Personnel Benefits - Insurance Worker's Compensation	520-5300-507.30	65,396	89,775	89,775	89,775	88,580	-1,195	-1.33%
Personnel Benefits - Other Budget Only	520-5300-508.00	143,976	176,466	176,466	176,466	260,710	84,244	47.74%
Payroll Allowances KPU Clothing	520-5300-509.04	4,620	8,500	8,500	8,500	9,000	500	5.88%
Payroll Allowances Moving Expense - Taxed	520-5300-509.07	-	15,000	15,000	6,000	15,000	-	0.00%
Payroll Allowances Incentive Pay	520-5300-509.09	785	5,000	5,000	5,000	5,000	-	0.00%
Total PERSONNEL SERVICES AND BENEFITS		7,367,563	7,847,652	7,828,292	7,896,420	8,390,270	542,618	6.91%
GENERAL SUPPLIES								
General Supplies Office Supplies	520-5300-510.01	8,980	10,000	10,000	10,000	10,500	500	5.00%
General Supplies Operating Supplies	520-5300-510.02	23,655	26,000	26,000	26,000	26,000	-	0.00%
General Supplies Safety Program Supplies	520-5300-510.03	21,134	15,000	15,000	12,000	12,000	-3,000	-20.00%
General Supplies Janitorial Supplies	520-5300-510.04	5,243	5,500	5,500	5,500	5,500	-	0.00%
General Supplies Small Tools & Equipment	520-5300-510.05	32,547	35,000	35,000	33,000	33,000	-2,000	-5.71%
General Supplies Food & Catering	520-5300-510.07	2,071	3,000	3,000	3,000	3,000	-	0.00%
Maintenance Materials Vehicle Maintenance Materials	520-5300-515.01	25,729	25,000	25,000	25,000	25,000	-	0.00%
Maintenance Materials Building and Grounds Maintenance	520-5300-515.02	12,661	15,000	15,000	15,000	15,000	-	0.00%
Maintenance Materials Infrastructure & Plant Maint.	520-5300-515.05	507,727	715,000	760,393	700,000	740,000	25,000	3.50%
Total GENERAL SUPPLIES		639,747	849,500	894,893	829,500	870,000	20,500	2.41%
POSTAGE AND FREIGHT								
Postage and Freight Postage	520-5300-520.02	9	1,000	1,000	1,000	1,000	-	0.00%
Postage and Freight Materials & Supplies	520-5300-520.04	38,553	51,000	51,000	45,000	47,000	-4,000	-7.84%
Total POSTAGE AND FREIGHT		38,562	52,000	52,000	46,000	48,000	-4,000	-7.69%
FUELS/LUBRICANTS/ENERGY COSTS								
Fuels, Lubricants and Energy Costs Heating Fuel	520-5300-525.03	7,305	10,000	10,000	10,000	10,000	-	0.00%
Fuels, Lubricants and Energy Costs Vehicle Fuels & Lubricants	520-5300-525.04	25,190	33,000	33,000	30,000	30,000	-3,000	-9.09%

Category	Account ID	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
Total FUELS/LUBRICANTS/ENERGY COSTS		32,495	43,000	43,000	40,000	40,000	-3,000	-6.98%
BOOKS AND PERIODICALS								
Books and Periodicals	520-5300-530.02	1,563	1,500	1,500	1,500	2,000	500	33.33%
Periodicals								
Books and Periodicals	520-5300-530.03	1,914	2,000	2,000	2,000	2,000	-	0.00%
Professional & Technical Pubs								
Total BOOKS AND PERIODICALS		3,477	3,500	3,500	3,500	4,000	500	14.29%
ALLOWANCES								
Allowances Business and Meal Expense	520-5300-535.02	88	1,250	1,250	1,250	1,250	-	0.00%
Allowances Uniforms/Badges/Clothing	520-5300-535.04	12,444	17,000	17,000	16,000	17,000	-	0.00%
Total ALLOWANCES		12,532	18,250	18,250	17,250	18,250	-	0.00%
TRAVEL AND EDUCATION								
Travel and Education Travel - Business	520-5300-600.01	32,173	54,000	54,000	54,000	58,500	4,500	8.33%
Travel and Education Travel - Training	520-5300-600.02	39,314	41,500	41,500	41,500	46,000	4,500	10.84%
Travel and Education Training and Education	520-5300-600.03	35,247	26,000	26,000	26,000	30,500	4,500	17.31%
Total TRAVEL AND EDUCATION		106,734	121,500	121,500	121,500	135,000	13,500	11.11%
ADVERTISING AND PUBLISHING								
Advertising and Publishing Ads and Public Announcements	520-5300-605.01	76,215	58,500	58,500	58,500	58,500	-	0.00%
Advertising and Publishing Marketing	520-5300-605.02	-	1,000	1,000	1,000	1,000	-	0.00%
Total ADVERTISING AND PUBLISHING		76,215	59,500	59,500	59,500	59,500	-	0.00%
PROMOTION AND GRANTS								
Contributions, Grants and Subsidies Community Promotion	520-5300-610.01	3,715	4,000	4,000	4,000	4,000	-	0.00%
Contributions, Grants and Subsidies Community Agency Grants	520-5300-610.02	73,700	-	-	-	-	-	-
Total PROMOTION AND GRANTS		77,415	4,000	4,000	4,000	4,000	-	0.00%
DUES AND MEMBERSHIPS								
Dues and Memberships Professional Lic. and Certs.	520-5300-615.01	839	-	500	500	-	-	-
Dues and Memberships Assoc. Membership Dues & Fees	520-5300-615.02	50,014	50,000	50,000	50,000	50,000	-	0.00%
Total DUES AND MEMBERSHIPS		50,853	50,000	50,500	50,500	50,000	-	0.00%
PERMITS, LICENSES AND FEES								
Licenses and Fees Building & Operating Permits	520-5300-630.01	233,163	230,000	230,000	230,000	235,000	5,000	2.17%
Licenses and Fees Vehicle Licenses	520-5300-630.02	303	500	500	500	500	-	0.00%
Licenses and Fees Bank & Merchant Fees	520-5300-630.03	-	1,000	1,000	250	1,000	-	0.00%
Licenses and Fees Broadcast Content Fees	520-5300-630.04	1,002,551	-	10,000	10,000	10,000	-	-
Total PERMITS, LICENSES AND FEES		1,236,017	231,500	241,500	240,750	246,500	15,000	6.48%
CONTRACTUAL SERVICES								
Contractual Services Janitorial & Cleaning Services	520-5300-635.02	19,800	25,000	25,000	25,000	22,000	-3,000	-12.00%

Category	Account ID	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
Contractual Services Vehicle Maintenance Services	520-5300-635.03	14,761	11,000	11,000	5,000	8,000	-3,000	-27.27%
Contractual Services Software & Equip Maint Services	520-5300-635.04	610,858	730,000	730,000	730,000	765,000	35,000	4.79%
Contractual Services Building and Grounds Maint. Svc	520-5300-635.06	20,513	25,000	25,000	25,000	25,000	-	0.00%
Contractual Services Machinery & Equipment Maint. Svc	520-5300-635.07	2,205	5,000	6,000	6,000	7,500	2,500	50.00%
Contractual Services Infrastructure & Plant Maint Svc	520-5300-635.08	44,904	65,000	54,000	45,000	50,000	-15,000	-23.08%
Contractual Services Technical Services	520-5300-635.12	125,768	120,000	120,000	120,000	135,000	15,000	12.50%
Contractual Services Other	520-5300-	202,384	265,000	265,000	265,000	265,000	-	0.00%
Contractual Services	635.14							
Total CONTRACTUAL SERVICES		1,041,193	1,246,000	1,236,000	1,221,000	1,277,500	31,500	2.53%
PROFESSIONAL SERVICES								
Professional Services Legal & Accounting Services	520-5300-640.01	31,125	30,000	30,000	30,000	30,000	-	0.00%
Professional Services Engineering & Architectural Svcs	520-5300-640.02	512,528	490,000	490,000	490,000	550,000	60,000	12.24%
Professional Services Management & Consulting Services	520-5300-640.04	112,304	130,000	130,000	130,000	130,000	-	0.00%
Total PROFESSIONAL SERVICES		655,957	650,000	650,000	650,000	710,000	60,000	9.23%
RENTS AND LEASES								
Rents and Leases Land & Buildings	520-5300-645.01	188,036	185,000	185,000	185,000	180,000	-5,000	-2.70%
Rents and Leases Machinery & Equipment	520-5300-645.02	1,595	2,000	14,000	14,000	4,000	2,000	100.00%
Rents and Leases Infrastructure	520-5300-645.04	2,620,878	2,850,000	2,850,000	2,850,000	2,980,000	130,000	4.56%
Total RENTS AND LEASES		2,810,509	3,037,000	3,049,000	3,049,000	3,164,000	127,000	4.18%
UTILITIES								
Utilities Telecommunications	520-5300-650.01	175,044	175,000	175,000	175,000	175,000	-	0.00%
Utilities Electric, Water, Sewer & Garbage	520-5300-650.02	231,887	230,000	230,000	230,000	255,000	25,000	10.87%
Total UTILITIES		406,931	405,000	405,000	405,000	430,000	25,000	6.17%
MINOR CAPITAL OUTLAY								
Minor Capital Outlay Furniture & Fixtures	520-5300-790.15	8,319	10,000	10,000	10,000	10,000	-	0.00%
Minor Capital Outlay Machinery & Equipment	520-5300-790.25	-	10,000	21,000	15,000	16,500	6,500	65.00%
Minor Capital Outlay M&E-Computers Printers & Copier	520-5300-790.26	562	-	-	-	-	-	-
Minor Capital Outlay Software	520-5300-790.35	-	1,000	1,000	1,000	1,000	-	0.00%
Total MINOR CAPITAL OUTLAY		8,881	21,000	32,000	26,000	27,500	6,500	30.95%
INTERDEPARTMENTAL CHARGES								
Interdepartmental Charges-Admin Mayor & Council	520-5300-800.01	33,825	45,856	45,856	45,817	42,947	-2,909	-6.34%
Interdepartmental Charges-Admin City Clerk	520-5300-800.02	73,017	105,050	105,050	81,978	117,706	12,656	12.05%
Interdepartmental Charges-Admin City Attorney	520-5300-800.03	60,693	67,104	67,213	67,213	69,120	2,016	3.00%
Interdepartmental Charges-CMO & HR Human Resources	520-5300-801.01	99,289	147,350	147,241	103,510	142,655	-4,695	-3.19%
Interdepartmental Charges-Finance General Accounting	520-5300-802.01	395,670	497,240	497,240	435,570	515,510	18,270	3.67%

Category	Account ID	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
Interdepartmental Charges-IT Information Technology	520-5300-803.01	578,298	350,540	350,540	302,440	378,335	27,795	7.93%
Interdepartmental Charges Insurance	520-5300-825.01	162,951	213,900	233,260	233,260	242,250	28,350	13.25%
Total INTERDEPARTMENTAL CHARGES		1,403,743	1,427,040	1,446,400	1,269,788	1,508,523	81,483	5.71%
DEBT SERVICE								
Debt Service - Principal Bond Payments	520-5300-931.01	365,000	385,000	385,000	385,000	400,000	15,000	3.90%
Debt Service - Interest Bond Payments	520-5300-932.01	380,029	363,300	363,300	363,300	344,050	-19,250	-5.30%
Total DEBT SERVICE		745,029	748,300	748,300	748,300	744,050	-4,250	-0.57%
OTHER COSTS								
Payments In Lieu of Taxes General	520-5300-975.00	206,400	206,400	206,400	206,400	279,687	73,287	35.51%
Total OTHER COSTS		206,400	206,400	206,400	206,400	279,687	73,287	35.51%
Total Expenditures		16,920,253	17,021,142	17,090,035	16,884,408	18,006,780	985,638	5.79%

*Change column represents the increase/decrease (Incr/Decr) and percent from prior year Adopted to current year Budget.

Operating Account Narrative

500.01 Regular Salaries and Wages: \$4,824,930 – This account provides expenditures for the cost of annual salaries and wages paid to the employees of the Telecommunications Division.

500.05 Longevity Pay: \$30,200 – Employees may be awarded a bonus upon their anniversary to recognize employees who have remained with the City and KPU for at least 15 years.

501.01 Overtime Wages: \$367,500 – 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: \$24,000 – 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: \$401,400 – This account provides expenditures for employer contributions for Social Security and Medicare and other similar payroll related taxes.

506.00 Pension: \$995,500 – 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: \$1,368,450 – This account provides expenditures for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation: \$88,580 – This account provides expenditures for employer contributions to workers compensation insurance.

508.00 Other Benefits: \$260,710 – 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: \$9,000 – 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: \$10,500 – 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: \$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: \$12,000 – 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: \$5,500 – This account provides expenditures for cleaning and sanitation supplies used by in-house and contracted janitors.

510.05 Small Tools and Equipment: \$33,000 – 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: \$3,000 – 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: \$15,000 – 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: \$740,000 – 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: \$47,000 – 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: \$2,000 – 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: \$1,250 – 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: \$17,000 – 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: \$58,500 – 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: \$46,000 – This account provides expenditures for transportation, lodging, meals, per diems and other incidental expenses associated with travel for training.

600.03 Training and Education: \$30,500 – 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: \$58,500 – This account provides expenditures for advertising and announcements in publications, newspapers, trade journals, Internet or broadcasts over radio and television. Included are legal notices, public service announcements, community issues, recruiting, requests for proposals, contracts, directory yellow page advertising and advertisements for sales of property and equipment.

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

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

615.02 Assn. Membership Dues & Fees: \$50,000 – 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: \$235,000 – This account provides expenditures for permits for construction, rights-of-way, 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: \$10,000 – This account provides expenditures related to producing and showing community events on KPUTV+.

635.02 Janitorial & Cleaning Services: \$22,000 – 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: \$8,000 – 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: \$765,000 – 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: \$25,000 – 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: \$7,500 – This account provides expenditures for the repair and maintenance of office equipment, machinery and other operating equipment owned or leased by the City/KPU. This account includes contract labor and materials required to provide the service. It also includes service maintenance agreements for equipment that does not require software support and are paid on either a fixed fee or fee based on usage.

635.08 Infrastructure and Plant Maintenance Services: \$50,000 – 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: \$135,000 – 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: \$265,000 – 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: \$550,000 – 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: \$130,000 – 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: \$180,000 – 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: \$4,000 – This account provides expenditures for the rent and lease of machinery & equipment.

645.04 Rents and Leases – Infrastructure: \$2,980,000 – 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, cybersecurity, 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: \$255,000 – 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: \$16,500 – 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.

800.01 Interdepartmental Charges – Mayor & Council: \$42,947 This account provides expenditures for administrative and management services provided by the departments of the City Council.

800.02 Interdepartmental Charges – City Clerk: \$117,706 This account provides expenditures for administrative and management services provided by the departments of the City Clerk.

800.03 Interdepartmental Charges – City Attorney: \$69,120 This account provides expenditures for administrative and management services provided by the departments of the City Attorney.

801.01 Interdepartmental Charges – Human Resources: \$142,655 - This account provides expenditures for human resource services provided by the Human Resources Division.

802.01 Interdepartmental Charges - Finance: \$515,510 - 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: \$378,335 - This account provides expenditures for information technology services provided by the Information Technology Department.

825.01 Interdepartmental Charges – Insurance: \$242,250 - This account provides expenditures for risk management services and claims.

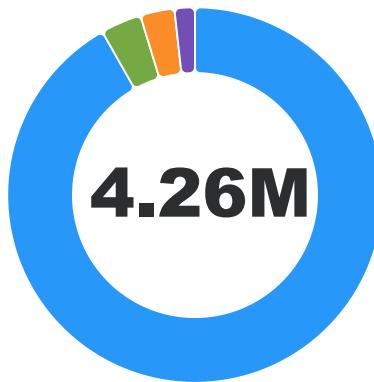
931.01 Debt Service-Principal: \$400,000 – This account provides expenditures for principal on bonds, loans, capital leases and other financing arrangements.

932.01 Debt Service-Interest: \$344,050 – This account provides expenditures for interest on bonds, loans, capital leases and other financing arrangements.

975.00 Payment in Lieu of Taxes: \$279,687 – This account provides expenditures for payments in lieu of taxes assessed against the enterprise funds of the City.

Telecommunications Capital Program

2026 Expenditures by Type



● Capital Projects	\$3,905,500	91.78%
● Vehicles & Moving Equipment	\$150,000	3.52%
● Buildings	\$125,000	2.94%
● Machinery & Equipment	\$75,000	1.76%

Expenditures by Expense Type

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
Buildings	7,105	100,000	100,000	96,000	125,000	25,000	25.00%
Vehicles & Moving Equipment	300,364				150,000		
Machinery & Equipment	157,218	175,000	163,000	162,000	75,000	-100,000	-57.14%
Capital Projects	1,812,620	3,151,500	3,096,665	2,389,165	3,905,500	754,000	23.93%
Total Expenditures	2,277,307	3,426,500	3,359,665	2,647,165	4,255,500	829,000	24.19%

Expenditures by Activity

Category	2026 Budget
Capital Projects	
Ketchikan Public Utilities (KPU) Fund	
Buildings General	\$125,000.00
Normal Growth and Repair	\$125,000.00
Vehicles & Moving Equipment General	\$150,000.00
Vehicle Acquisition	\$150,000.00
Machinery & Equipment Computers, Printers & Copiers	\$75,000.00
PC Hardware and Software	\$75,000.00
Capital Projects Infrastructure & Plant	\$3,905,500.00
Operating Equipment	\$100,000.00
Normal Growth and Repair - Central Office Switching	\$50,000.00
Normal Growth and Repair - Copper Cable	\$25,000.00
Normal Growth and Repair - Fiber Cable	\$225,000.00
Normal Growth and Repair - Central Office Transmission	\$275,000.00
Normal Growth and Repair - Expansion	\$15,000.00
Normal Growth and Repair - Provisioning	\$20,000.00
Fiber to the Home	\$325,000.00

Category	2026 Budget
Remote Cabinets for Advanced Services	\$50,000.00
Core Network Upgrade	\$1,000,000.00
Server Environment	\$100,000.00
Multi-Dwelling Unit Project	\$100,000.00
Power Expansion/Reclamation	\$50,000.00
Visual Mapping	\$10,000.00
Network Monitoring	\$50,000.00
Network Security Infrastructure	\$75,000.00
4G/LTE	\$359,000.00
Hosted	\$100,000.00
WiFi	\$125,000.00
Internet Expansion	\$175,000.00
KetchCan1 Subsea Cable Emergency Repair Fund	\$676,500.00
Total Ketchikan Public Utilities (KPU) Fund	\$4,255,500.00
Total Capital Projects	\$4,255,500.00
Total Expenditures	\$4,255,500.00

Water

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.



2026 Expenditures by Activity



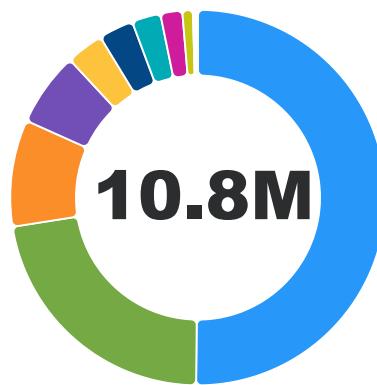
● Capital Projects	\$5,404,682	50.16%
● Operations	\$5,369,784	49.84%

Expenditures by Activity

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
Operations	4,462,947	5,145,136	5,145,136	4,902,870	5,369,784	224,648	4.37%
Capital Projects	511,556	2,723,509	2,723,509	728,000	5,404,682	2,681,173	98.45%
Total Expenditures	4,974,503	7,868,645	7,868,645	5,630,870	10,774,466	2,905,821	36.93%

**Change column represents the increase/decrease (Incr/Decr) and percent from prior year Adopted to current year Budget.*

2026 Expenditures by Expense Category



● MAJOR CAPITAL OUTLAY	\$5,404,682	50.16%
● PERSONNEL SERVICES AND BENEFITS	\$2,407,510	22.34%
● DEBT SERVICE	\$990,973	9.20%
● INTERDEPARTMENTAL CHARGES	\$686,493	6.37%
● GENERAL SUPPLIES	\$347,450	3.22%
● UTILITIES	\$323,000	3.00%
● OTHER COSTS	\$266,926	2.48%
● CONTRACTUAL SERVICES	\$203,200	1.89%
● PROFESSIONAL SERVICES	\$97,400	0.90%
● FUELS/LUBRICANTS/ENERGY COSTS	\$15,600	0.14%
● RENTS AND LEASES	\$10,000	0.09%
● MINOR CAPITAL OUTLAY	\$8,100	0.08%
● DUES AND MEMBERSHIPS	\$3,775	0.04%
● TRAVEL AND EDUCATION	\$3,000	0.03%
● POSTAGE AND FREIGHT	\$2,700	0.03%
● ADVERTISING AND PUBLISHING	\$1,750	0.02%
● BOOKS AND PERIODICALS	\$1,207	0.01%
● PERMITS, LICENSES AND FEES	\$600	0.01%
● ALLOWANCES	\$100	0.00%

Expenditures by Expense Category

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
PERSONNEL SERVICES AND BENEFITS	2,183,416	2,322,241	2,319,240	2,222,415	2,407,510	85,269	3.67%
GENERAL SUPPLIES	266,678	333,350	331,550	301,750	347,450	14,100	4.23%
POSTAGE AND FREIGHT	1,300	2,700	2,700	2,700	2,700	-	0.00%
FUELS/LUBRICANTS/ENERGY COSTS	15,835	15,500	15,550	15,550	15,600	100	0.65%
BOOKS AND PERIODICALS	478	1,187	1,207	1,207	1,207	20	1.68%
ALLOWANCES	40	100	100	100	100	-	0.00%
TRAVEL AND EDUCATION	6,739	3,000	3,000	1,750	3,000	-	0.00%
ADVERTISING AND PUBLISHING	557	1,750	1,750	1,950	1,750	-	0.00%
PROMOTION AND GRANTS	22,700	-	-	-	-	-	-
DUES AND MEMBERSHIPS	6,562	3,500	3,900	3,900	3,775	275	7.86%

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
PERMITS, LICENSES AND FEES	272	600	600	600	600	-	0.00%
CONTRACTUAL SERVICES	147,471	181,000	203,050	200,550	203,200	22,200	12.27%
PROFESSIONAL SERVICES	17,915	90,000	86,830	79,630	97,400	7,400	8.22%
RENTS AND LEASES	5,462	10,000	10,000	10,000	10,000	-	0.00%
UTILITIES	266,018	310,000	298,800	275,000	323,000	13,000	4.19%
MAJOR CAPITAL OUTLAY	511,556	2,723,509	2,723,509	728,000	5,404,682	2,681,173	98.45%
MINOR CAPITAL OUTLAY	6,529	7,750	1,400	1,400	8,100	350	4.52%
INTERDEPARTMENTAL CHARGES	487,027	676,885	676,885	595,794	686,493	9,608	1.42%
DEBT SERVICE	830,348	987,973	990,974	990,974	990,973	3,000	0.30%
OTHER COSTS	197,600	197,600	197,600	197,600	266,926	69,326	35.08%
Total Expenditures	4,974,503	7,868,645	7,868,645	5,630,870	10,774,466	2,905,821	36.93%

Funding Source

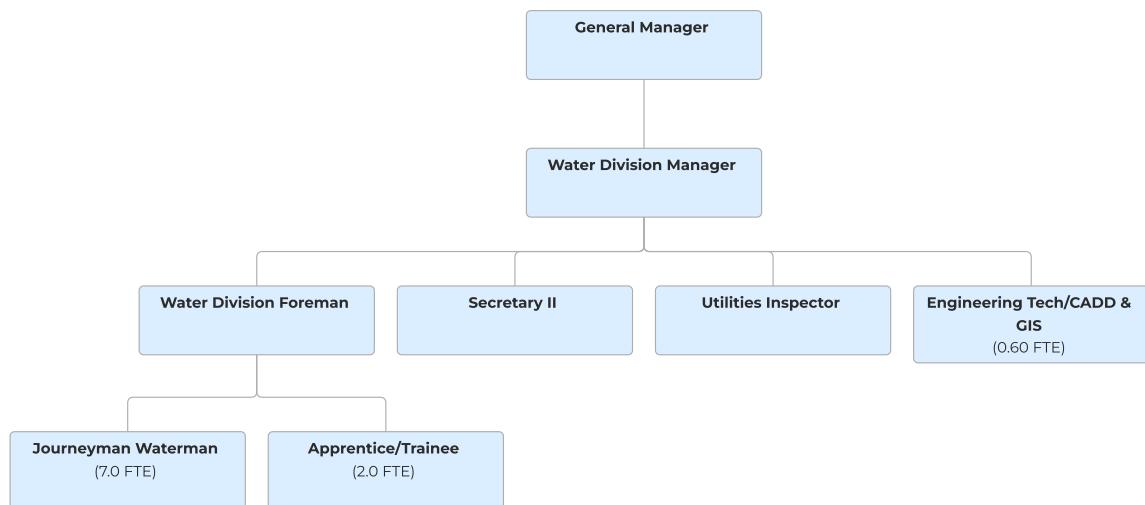
	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	Increase/ Decrease	% Change
KPU Enterprise Fund	4,936,616	7,055,364	7,055,364	5,630,870	7,961,185	905,821	12.83%
Bonds	37,887	813,281	813,281	-	2,813,281	2,000,000	245.92%
Total Funding	4,974,503	7,868,645	7,868,645	5,630,870	10,774,466	905,821	36.92%

Full-time Equivalent Personnel

	2024 Actual	2025 Adopted	2025 Amended	2026 Budget	2026 Salary	Increase/ Decrease	% Change
Operations	14.60	14.60	14.60	13.60	1,388,470	(1.00)	-6.8%
Total Funding	14.60	14.60	14.60	13.60	1,388,470	(1.00)	-6.8%

Water Operations

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 2026

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 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 2026 will require continued significant effort in another construction contract as there are still approximately 225 unmetered businesses, commercial buildings, and large residential apartment complexes remaining. The reporting procedure itself consists of each node interrogating its associated water meter hourly and then reporting the results to one of KPU's nearby Cooper Power "smart" electric meters which in turn transmits the water flow measurements to the Electric Division. Ultimately, this water consumption information will be transmitted to Finance's New World Financial Management System for the purpose of preparing monthly billings for our ratepayers. In addition, before this entire project becomes fully operational in 2026, 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.

2025 Accomplishments

Filtration-Avoidance and Limited Alternative to Filtration Solution

The State of Alaska Department of Environmental Conservation (ADEC) on November 20, 2019, notified Ketchikan that it had failed to meet the criteria for avoiding filtration regulations as specified in the Safe Drinking Water Act (SWDA) and that 40 CFR 141.71(a)(1) and 40 CFR 141.73 require that filtration be installed within 18 months. Obviously, KPU was unable to meet this 18-month deadline and notified ADEC that we were willing to consider entering into a COBC that will allow adequate time for KPU to achieve compliance. City Council approved ADEC's Compliance Order by Consent (COBC) on December 4, 2019.

Since that date, almost 6 years have now elapsed while KPU worked closely with Jacobs Engineering to prepare and submit rigorous studies that demonstrated to ADEC that Ketchikan meets the SWDA provisions and thereby qualifies for a Limited Alternative for Filtration (LAF).

ADEC sent KPU a draft letter on June 26, 2025, that the Department had reviewed KPU's petition along with all supporting documentation and, as allowed in 18 AAC 80.621, the department hereby granted interim approval for KPU's PWS to operate under the LAF provisions. ADEC also provided a copy of a letter that ADEC intends to issue to KPU after they received concurrence from EPA on their proposed approval letter, or a modified version of the letter if EPA requests any changes.

No further communication occurred until August 4th, when ADEC notified KPU that they had contacted EPA Region 10 regarding the progress of their review of the ADEC package requesting concurrence. EPA Region 10 replied that they are proceeding with their management review. ADEC noted again on August 21st that EPA Region 10 has not had any major questions for them, just a few minor questions to which they've provided answers.

Although the EPA has not yet expressed concurrence of granting a LAF for Ketchikan, its receipt is anticipated soon.

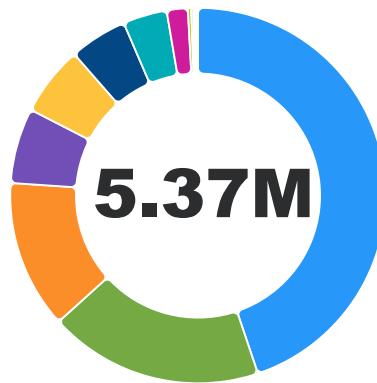
Funding Source

	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	Increase/ Decrease	% Change
KPU Enterprise Fund	4,462,947	5,145,136	5,145,136	4,902,870	5,369,784	224,648	4.37%
Total Funding	4,462,947	5,145,136	5,145,136	4,902,870	5,369,784	224,648	4.37%

Full-time Equivalent Personnel

	2024 Actual	2025 Adopted	2025 Amended	2026 Budget	2026 Salary Increase/ Decrease	% Change
Water Division Manager	1.00	1.00	1.00	1.00	158,550	- 0.0%
Assistant Water Division Manager	1.00	-	-	-	-	NA
Foreman	1.00	1.00	1.00	1.00	129,640	- 0.0%
Journeyman Waterman	6.00	6.00	6.00	7.00	749,080	1.00 16.7%
Apprentice/Trainee	3.00	4.00	4.00	2.00	147,890	(2.00) -50.0%
Utility Inspector	1.00	1.00	1.00	1.00	86,000	- 0.0%
Eng Tech/KPU-CADD & GIS	0.60	0.60	0.60	0.60	51,620	- 0.0%
Secretary II	1.00	1.00	1.00	1.00	65,690	- 0.0%
Total	14.60	14.60	14.60	13.60	1,388,470	(1.00) -6.8%

2026 Expenditures by Category



● PERSONNEL SERVICES AND BENEFITS	\$2,407,510	44.83%
● DEBT SERVICE	\$990,973	18.45%
● INTERDEPARTMENTAL CHARGES	\$686,493	12.78%
● GENERAL SUPPLIES	\$347,450	6.47%
● UTILITIES	\$323,000	6.02%
● OTHER COSTS	\$266,926	4.97%
● CONTRACTUAL SERVICES	\$203,200	3.78%
● PROFESSIONAL SERVICES	\$97,400	1.81%
● FUELS/LUBRICANTS/ENERGY COSTS	\$15,600	0.29%
● RENTS AND LEASES	\$10,000	0.19%
● MINOR CAPITAL OUTLAY	\$8,100	0.15%
● DUES AND MEMBERSHIPS	\$3,775	0.07%
● TRAVEL AND EDUCATION	\$3,000	0.06%
● POSTAGE AND FREIGHT	\$2,700	0.05%
● ADVERTISING AND PUBLISHING	\$1,750	0.03%
● BOOKS AND PERIODICALS	\$1,207	0.02%
● PERMITS, LICENSES AND FEES	\$600	0.01%
● ALLOWANCES	\$100	0.00%

Operating Budget Changes for 2026

Changes between the adopted operating budget for 2025 and the proposed operating budget for 2026 that are greater than 5% **and** \$5,000 are discussed below.

- Software & Equipment Maintenance Services (Account 635.04) increased by \$14,300 or by 119.2% due to the increased costs for GIS and ESRI maintenance subscriptions.
- Management & Consulting Services (Account 640.04) increased by \$7,400 or by 100%. This is a new account for the Waterworth annual software subscription.
- Telecommunications (Account 650.01) decreased by \$12,000 or by 12.0% due to the lower annual cost for the fiber cable installed in 2024 between the plants.
- Electric, Water, Sewer & Solid Waste (Account 650.02) increased by \$25,000 or by 11.9% due to the anticipated rate increases in 2026.
- Payments in Lieu of Taxes (Account 975.00) increased by \$69,326 or 35.08% due to an increase in market values.

Expenditures by Expense Category

Category	Account ID	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
PERSONNEL SERVICES AND BENEFITS								
Personnel Services and Wages - Regular Wages	520-5400-500.01	1,279,441	1,333,646	1,328,375	1,270,900	1,388,470	54,824	4.11%
Personnel Services and Wages - Regular Longevity Bonus	520-5400-500.05	34,165	34,600	36,450	36,450	23,340	-11,260	-32.54%
Personnel Services and Wages - Overtime Wages - Straight/Double OT	520-5400-501.01	80,542	83,000	83,000	83,000	87,150	4,150	5.00%
Personnel Benefits - Taxes Budget Only	520-5400-505.00	107,686	110,375	110,375	107,250	114,750	4,375	3.96%
Personnel Benefits - Pension Budget Only	520-5400-506.00	253,848	256,500	256,500	251,100	273,550	17,050	6.65%
Personnel Benefits - Insurance Budget Only	520-5400-507.00	345,363	403,350	403,350	372,525	402,530	-820	-0.20%
Personnel Benefits - Insurance Worker's Compensation	520-5400-507.30	27,224	30,500	30,500	30,500	36,360	5,860	19.21%
Personnel Benefits - Other Budget Only	520-5400-508.00	52,207	67,000	67,000	67,000	78,090	11,090	16.55%
Payroll Allowances KPU Clothing	520-5400-509.04	2,940	2,520	2,940	2,940	2,520	-	0.00%
Payroll Allowances Medical Expense	520-5400-509.08	-	750	750	750	750	-	0.00%
Total PERSONNEL SERVICES AND BENEFITS		2,183,416	2,322,241	2,319,240	2,222,415	2,407,510	85,269	3.67%
GENERAL SUPPLIES								
General Supplies Office Supplies	520-5400-510.01	2,470	3,500	3,500	3,500	3,600	100	2.86%
General Supplies Operating Supplies	520-5400-510.02	1,657	16,000	12,400	6,000	16,500	500	3.13%
General Supplies Safety Program Supplies	520-5400-510.03	1,957	3,500	3,500	3,500	3,500	-	0.00%
General Supplies Janitorial Supplies	520-5400-510.04	875	850	850	450	850	-	0.00%
General Supplies Small Tools & Equipment	520-5400-510.05	4,534	5,000	5,000	5,000	5,000	-	0.00%
General Supplies Chemicals	520-5400-510.06	113,185	110,000	110,000	90,000	115,000	5,000	4.55%
Maintenance Materials Vehicle Maintenance Materials	520-5400-515.01	14,492	14,500	16,500	13,500	15,000	500	3.45%
Maintenance Materials Building and Grounds Maintenance	520-5400-515.02	5,235	5,000	5,000	5,000	5,000	-	0.00%
Maintenance Materials Machinery & Equipment Maint.	520-5400-515.04	57,498	80,000	80,000	80,000	84,000	4,000	5.00%
Maintenance Materials Infrastructure & Plant Maint.	520-5400-515.05	64,775	95,000	94,800	94,800	99,000	4,000	4.21%
Total GENERAL SUPPLIES		266,678	333,350	331,550	301,750	347,450	14,100	4.23%
POSTAGE AND FREIGHT								
Postage and Freight Postage	520-5400-520.02	338	150	150	150	150	-	0.00%
Postage and Freight Bulk Mailing	520-5400-520.03	22	50	50	50	50	-	0.00%
Postage and Freight Materials & Supplies	520-5400-520.04	940	2,500	2,500	2,500	2,500	-	0.00%
Total POSTAGE AND FREIGHT		1,300	2,700	2,700	2,700	2,700	-	0.00%
FUELS/LUBRICANTS/ENERGY COSTS								
Fuels, Lubricants and Energy Costs Vehicle Fuels & Lubricants	520-5400-525.04	14,507	14,000	14,000	14,000	14,000	-	0.00%

Category	Account ID	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
Fuels, Lubricants and Energy Costs Machinery & Equipment	520-5400-525.07	1,328	1,500	1,550	1,550	1,600	100	6.67%
Total FUELS/LUBRICANTS/ENERGY COSTS		15,835	15,500	15,550	15,550	15,600	100	0.65%
BOOKS AND PERIODICALS								
Books and Periodicals Periodicals	520-5400-530.02	182	187	207	207	207	20	10.70%
Books and Periodicals Professional & Technical Pubs	520-5400-530.03	296	1,000	1,000	1,000	1,000	-	0.00%
Total BOOKS AND PERIODICALS		478	1,187	1,207	1,207	1,207	20	1.68%
ALLOWANCES								
Allowances Business and Meal Expense	520-5400-535.02	40	100	100	100	100	-	0.00%
Total ALLOWANCES		40	100	100	100	100	-	0.00%
TRAVEL AND EDUCATION								
Travel and Education Travel - Training	520-5400-600.02	2,406	2,000	1,800	750	2,000	-	0.00%
Travel and Education Training and Education	520-5400-600.03	4,333	1,000	1,200	1,000	1,000	-	0.00%
Total TRAVEL AND EDUCATION		6,739	3,000	3,000	1,750	3,000	-	0.00%
ADVERTISING AND PUBLISHING								
Advertising and Publishing Ads and Public Announcements	520-5400-605.01	288	1,000	1,000	1,200	1,000	-	0.00%
Advertising and Publishing Marketing	520-5400-605.02	269	750	750	750	750	-	0.00%
Total ADVERTISING AND PUBLISHING		557	1,750	1,750	1,950	1,750	-	0.00%
PROMOTION AND GRANTS								
Contributions, Grants and Subsidies Community Agency Grants	520-5400-610.02	22,700	-	-	-	-	-	-
Total PROMOTION AND GRANTS		22,700	-	-	-	-	-	-
DUES AND MEMBERSHIPS								
Dues and Memberships Professional Lic. and Certs.	520-5400-615.01	4,638	1,500	1,900	1,900	1,775	275	18.33%
Dues and Memberships Assoc. Membership Dues & Fees	520-5400-615.02	1,924	2,000	2,000	2,000	2,000	-	0.00%
Total DUES AND MEMBERSHIPS		6,562	3,500	3,900	3,900	3,775	275	7.86%
PERMITS, LICENSES AND FEES								
Licenses and Fees Building & Operating Permits	520-5400-630.01	199	500	500	500	500	-	0.00%
Licenses and Fees Vehicle Licenses	520-5400-630.02	73	100	100	100	100	-	0.00%
Total PERMITS, LICENSES AND FEES		272	600	600	600	600	-	0.00%
CONTRACTUAL SERVICES								
Contractual Services Software & Equip Maint Services	520-5400-635.04	11,564	12,000	26,300	26,300	26,300	14,300	119.17%
Contractual Services Building and Grounds Maint. Svc	520-5400-635.06	3,772	5,000	5,000	5,000	5,000	-	0.00%
Contractual Services Machinery & Equipment Maint. Svc	520-5400-635.07	795	14,000	14,000	14,000	14,500	500	3.57%
Contractual Services Infrastructure & Plant Maint Svc	520-5400-635.08	97,279	90,000	97,750	97,750	94,400	4,400	4.89%

Category	Account ID	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
Contractual Services Technical Services	520-5400-635.12	34,061	60,000	60,000	57,500	63,000	3,000	5.00%
Total CONTRACTUAL SERVICES		147,471	181,000	203,050	200,550	203,200	22,200	12.27%
PROFESSIONAL SERVICES								
Professional Services Engineering & Architectural Svcs	520-5400-640.02	13,400	90,000	79,637	79,630	90,000	-	0.00%
Professional Services Management & Consulting Services	520-5400-640.04	4,515	-	7,193	-	7,400	7,400	-
Total PROFESSIONAL SERVICES		17,915	90,000	86,830	79,630	97,400	7,400	8.22%
RENTS AND LEASES								
Rents and Leases Machinery & Equipment	520-5400-645.02	5,462	10,000	10,000	10,000	10,000	-	0.00%
Total RENTS AND LEASES		5,462	10,000	10,000	10,000	10,000	-	0.00%
UTILITIES								
Utilities Telecommunications	520-5400-650.01	68,743	100,000	88,800	65,000	88,000	-12,000	-12.00%
Utilities Electric, Water, Sewer & Garbage	520-5400-650.02	197,275	210,000	210,000	210,000	235,000	25,000	11.90%
Total UTILITIES		266,018	310,000	298,800	275,000	323,000	13,000	4.19%
MINOR CAPITAL OUTLAY								
Minor Capital Outlay M&E- Computers Printers & Copier	520-5400-790.26	6,529	7,750	1,400	1,400	8,100	350	4.52%
Total MINOR CAPITAL OUTLAY		6,529	7,750	1,400	1,400	8,100	350	4.52%
INTERDEPARTMENTAL CHARGES								
Interdepartmental Charges- Admin Mayor & Council	520-5400-800.01	10,408	14,110	14,110	14,098	13,214	-896	-6.35%
Interdepartmental Charges- Admin City Clerk	520-5400-800.02	22,467	32,323	32,289	25,224	36,217	3,894	12.05%
Interdepartmental Charges- Admin City Attorney	520-5400-800.03	18,675	20,647	20,681	20,680	21,267	620	3.00%
Interdepartmental Charges-CMO & HR Human Resources	520-5400-801.01	24,271	36,020	36,020	25,310	34,870	-1,150	-3.19%
Interdepartmental Charges- Finance General Accounting	520-5400-802.01	121,745	153,000	152,000	134,020	158,620	5,620	3.67%
Interdepartmental Charges-IT Information Technology	520-5400-803.01	79,765	119,380	119,380	103,410	129,350	9,970	8.35%
Interdepartmental Charges- Engineering Engineering	520-5400-804.01	97,988	143,000	144,000	136,000	153,000	10,000	6.99%
Interdepartmental Charges Insurance	520-5400-825.01	84,792	105,410	105,410	103,710	106,475	1,065	1.01%
Interdepartmental Charges Space Rental Charges	520-5400-850.04	26,916	52,995	52,995	33,342	33,480	-19,515	-36.82%
Total INTERDEPARTMENTAL CHARGES		487,027	676,885	676,885	595,794	686,493	9,608	1.42%
DEBT SERVICE								
Debt Service - Principal Bond Payments	520-5400-931.01	646,455	781,168	784,169	784,169	797,411	16,243	2.08%
Debt Service - Interest Bond Payments	520-5400-932.01	183,893	206,805	206,805	206,805	193,562	-13,243	-6.40%
Total DEBT SERVICE		830,348	987,973	990,974	990,974	990,973	3,000	0.30%
OTHER COSTS								
Payments In Lieu of Taxes General	520-5400-975.00	197,600	197,600	197,600	197,600	266,926	69,326	35.08%
Total OTHER COSTS		197,600	197,600	197,600	197,600	266,926	69,326	35.08%
Total Expenditures		4,462,947	5,145,136	5,145,136	4,902,870	5,369,784	224,648	4.37%

**Change column represents the increase/decrease (Incr/Decr) and percent from prior year Adopted to current year Budget.*

Operating Account Narrative

500.01 Regular Salaries and Wages: \$1,388,470 - This account provides expenditures for the cost of the annual wages of the employees of the Water Division.

500.05 Longevity Pay: \$23,340 - Employees may be awarded a bonus upon their anniversary to recognize employees who have remained with the City and KPU for at least 15 years.

501.01 Overtime Wages: \$87,150 - 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: \$114,750 - This account provides expenditures for employer contributions for Social Security, Medicare, and other similar payroll related taxes.

506.00 Pension: \$273,550 - This account provides expenditures for employer contributions to retirement plans.

507.00 Health and Life Insurance: \$402,530 - This account provides expenditures for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation: \$36,360 - This account provides expenditures for employer contributions to workers compensation.

508.00 Other Benefits: \$78,090 - This account provides expenditures for direct claims from former employees for unemployment benefits paid by the State of Alaska and accrued vacation and sick leave.

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

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

510.01 Office Supplies: \$3,600 - 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: \$16,500 - 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: \$850 - 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: \$115,000 - This account provides expenditures for the purchase of the various chemicals including salt, soda ash, phosphoric acid and ammonium hydroxide that are used for water disinfection and treatment.

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

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

515.04 Machinery & Equipment Maintenance Materials: \$84,000 - 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: \$99,000 - 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: \$150 - This account provides expenditures for the cost of mailing division correspondence.

520.03 Bulk Mailing: \$50 - This account provides expenditures for mailings to KPU ratepayers and contractors. The annual Consumer Confidence Report providing relevant water quality information to all ratepayers is no longer required to be mailed. It appears in Water's website, notices of its location are advertised in the Ketchikan Daily News and appears as a QR Code on KPU Utility Bills.

520.04 Freight-Materials & Supplies: \$2,500 - This account provides expenditures for freight expenses incurred with inventory purchases.

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

525.07 Machinery & Equipment Fuel and Lubricants: \$1,600 - 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: \$207 - This account provides expenditures for the division's subscription to the *Ketchikan Daily News*.

530.03 Professional and Technical Publications: \$1,000 - 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: \$100 - This account provides expenditures for reimbursements to employees for business related meal expenses.

600.02 Travel-Training: \$2,000 - While this account provides expenditures for the cost associated with training travel incurred by the division.

600.03 Training and Education: \$1,000 - 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: \$1,000 - This account provides expenditures for advertising and public announcements in publications, newspapers, trade journals, Internet or broadcasts over radio and television.

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

615.01 Professional Licenses and Technical Certifications: \$1,775 - 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: \$26,300 - 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: \$14,500 - 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: \$94,400 - 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 generator repair.

635.12 Technical Services: \$63,000 - 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.

640.04 Professional Services, Management & Consulting Services: \$7,400.. This account provides expenditures for Water's share of Waterworth Consulting's Financial Planning Services.

645.02 Rents and Leases - Machinery & Equipment: \$10,000 - 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 mains 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: \$88,000 - 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 and the new camera monitoring the locked gate installed across the Ketchikan Lakes Watershed access road are all continuously monitored through KPU's SCADA system.

650.02 Electric, Water, Sewer & Solid Waste: \$235,000 - This account provides expenditures for electric, water, sewer and solid waste utility services used by the division.

790.26 Computers, Printers, and Copiers: \$8,100 - This account provides expenditures for the replacement of the items recommended for replacement by the Information Technologies (IT) department, including two work stations, two monitors, one laptop, one printer, and two battery backups (UPS).

800.01 Interdepartmental Charges – Mayor & Council: \$13,214 This account provides expenditures for administrative and management services provided by the departments of the City Council.

800.02 Interdepartmental Charges – City Clerk: \$36,217 This account provides expenditures for administrative and management services provided by the departments of the City Clerk.

800.03 Interdepartmental Charges – City Attorney: \$21,267 This account provides expenditures for administrative and management services provided by the departments of the City Attorney.

801.01 Interdepartmental Charges – Human Resources: \$34,870 - This account provides expenditures for human resource services provided by the Human Resources Division.

802.01 Interdepartmental Charges - Finance: \$158,620 - 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: \$129,350 - This account provides expenditures for information technology services provided by the Information Technology Department.

804.01 Interdepartmental Charges – Engineering: \$ 153,000 - This account provides expenditures for engineering services provided by the Public Works Department-Engineering Division.

825.01 Interdepartmental Charges – Insurance: \$106,475 - This account provides expenditures for risk management services and claims.

850.04 Interdepartmental Charges - Building Rent: \$33,480 - 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.

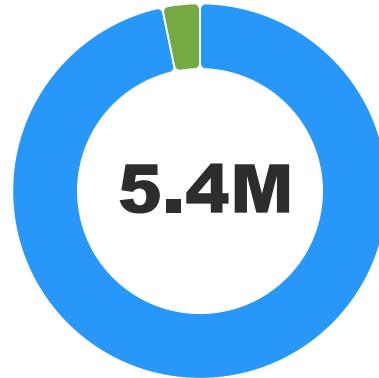
931.01 Debt Service-Principal: \$797,411 - This account provides expenditures for principal on revenue bonds and ADEC drinking water loans.

932.01 Debt Service-Interest: \$193,562 - This account provides expenditures for interest on revenue bonds and ADEC drinking water loans.

975.00 Payment in Lieu of Taxes: \$266,926 - This account provides expenditures for payments in lieu of taxes assessed against the enterprise funds of the City.

Water Capital Program

2026 Expenditures by Type



● Capital Projects	\$5,229,682	96.76%
● Vehicles & Moving Equipment	\$175,000	3.24%

Expenditures by Expense Type

Category	2024 Actual	2025 Adopted	2025 Amended	2025 Estimate	2026 Budget	*Incr/Decr	*% Change
Vehicles & Moving Equipment	84,708			85,000	175,000		
Capital Projects	426,848	2,723,509	2,723,509	643,000	5,229,682	2,506,173	92.02%
Total Expenditures	511,556	2,723,509	2,723,509	728,000	5,404,682	2,681,173	98.45%

*Change column represents the increase/decrease (Incr/Decr) and percent from prior year Adopted to current year Budget.

Expenditures by Activity

Category	2026 Budget
Capital Projects	
Ketchikan Public Utilities (KPU) Fund	
Vehicles & Moving Equipment General	175,000
Utility Vehicles	175,000
Capital Projects Infrastructure & Plant	5,229,682
Filtration Facility - Preliminary Preparation Tasks	390,000
Water Meters - Business & Commercial Customers	813,281
Valve Boxes - Repair of Surrounding Pavement	110,000
Water Distribution Grid Improvements	30,000
Water Service Upgrade Program	21,000
Backflow Prevention Program	15,000
Second Avenue Main Replacement	150,000
Pump Station Switchgear Improvements	45,000
Replace ClorTec Generating Cells	78,000
Harris Street Utility Improvements	125,000
Park Avenue Utility Improvements	125,000
Additional Projects - Water	50,000
Skyline Water Main Replacement	70,000
West Fairy Chasm Main Replacement	87,000

Category	2026 Budget
Hillside Road Water Main Replacement	60,000
Ketchikan Lakes Road - between Deermount to 1234 Ktn. Lakes	20,000
Highlands Reservoir Property Acquisition	540,000
Ketchikan Lakes Alternative Raw Water Supply Piping	2,000,000
Ketchikan Lakes Road Concrete Segment Reconstruction	80,000
Tongass Avenue Water Main Replacement	100,000
Water Street Water Main Replacement	200,000
SCADA PLC Controllers	1
Admin Building Heating Repairs (1510-01)	120,400
Total Ketchikan Public Utilities (KPU) Fund	5,404,682
Total Capital Projects	5,404,682
Total Expenditures	5,404,682