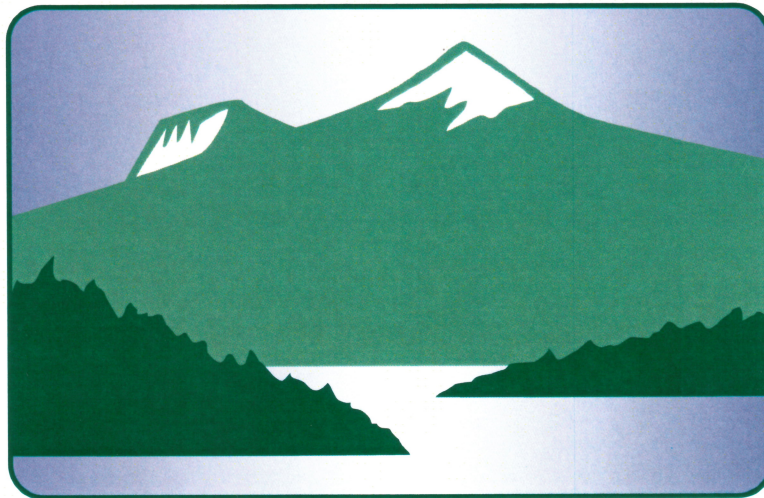


KETCHIKAN PUBLIC UTILITIES

KPU



Your Community, Your Utility

2019 OPERATING AND CAPITAL BUDGET

**KETCHIKAN PUBLIC UTILITIES
2019 ANNUAL BUDGET**

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RESOLUTION NO. 18-2717

A RESOLUTION ADOPTING THE BUDGET FOR THE YEAR 2019 APPROPRIATING FROM THE KETCHIKAN PUBLIC UTILITIES ENTERPRISE FUND FOR THE FISCAL YEAR 2019; 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 2019, entitled KETCHIKAN PUBLIC UTILITIES 2019 OPERATING AND CAPITAL BUDGET, is hereby adopted.

Section 2: The sum of \$62,091,838 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, 2019:


<u>Item of Appropriation</u>	<u>Total</u>
General Manager	\$ 398,577
Sales, Marketing & Customer Service	2,830,773
Electric	21,983,960
Telephone	23,818,627
Water	6,862,346
Transfer to KPU Facilities and Infrastructure Replacement Fund	250,000
Appropriated Reserves	5,947,555
Total Appropriations	<u>\$ 62,091,838</u>

Section 3: The sum of \$750,000 as shown in the following items of appropriations is appropriate for the Ketchikan Public Utilities Facilities and Infrastructure Replacement Fund of the City of Ketchikan, Alaska for the fiscal year beginning January 1, 2019:

<u>Item of Appropriation</u>	<u>Total</u>
Appropriated Reserves	<u>750,000</u>
Total Appropriations	<u>\$ 750,000</u>

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

PASSED AND APPROVED by a duly constituted quorum of the City Council for the City of Ketchikan on this 20th day of December, 2018.


Robert Sivertsen, Mayor

ATTEST:


Kim Stanker, City Clerk



November 1, 2018

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

Pursuant to Section 5-2 of the Ketchikan City Charter, the proposed 2019 Operating and Capital Budget (the “2019 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, 2018. At least one public hearing on the proposed budget is required prior to adoption of the final spending plan.

INTRODUCTION

The 2019 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 2019 effectively balances the available financial resources of KPU against the utility service needs of the community. The programs and services contained within the proposed spending plan were developed by the KPU Division Managers and were subsequently reviewed and modified as necessary by the Offices of the General Manager and the Finance Director. The operating goals and programs of the Electric, Telecommunications and Water Divisions were predicated on the continuation of basic service delivery and long-range issues that manifested themselves over the course of the past year and during the development of the Capital Improvement Program.

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

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

Year	Number of Electric Customers	Energy Sales - mWh	Telecom Access Lines	Water Customers
2008	7,346	159,340	8,122	3,254
2009	7,365	158,147	7,558	3,246
2010	7,418	156,985	7,103	3,233
2011	7,443	164,714	7,057	3,247
2012	7,518	172,190	6,434	3,243
2013	7,514	170,282	6,083	3,244
2014	7,606	167,939	5,863	3,162
2015	7,694	163,896	5,723	3,163
2016	7,741	165,107	5,611	3,203
2017	7,799	175,448	5,351	3,220

The growth in electric customers continues to average less than 1% annually since 2008. The demand for energy, however, continues to grow. In 2017, a new record of 175,448 mWh was set. The electric utility's energy sales tend to fluctuate from year-to-year due to variable weather conditions, customer demographics and the effectiveness of energy conservation measures but it is clear that demand for energy is trending upward. Over the same period, the number of telecommunication access lines declined on average by about 4.53% annually. Competition from GCI and wireless phones such as AT&T has made significant inroads into the local market for telecommunication services. KPU Telecommunications has overcome this loss of customers by expanding into television, internet and wireless services. Growth in the number of water customers has been minimal. This is primarily due to the limited availability of property for development within boundaries of the City. The water utility does not serve residents and businesses located outside the boundaries of the City. The dip reported in 2014 was due to the transition to the new utility billing system. The old utility billing system did not properly exclude certain inactive accounts from the customer counts.

MAJOR BUDGET AND FISCAL ISSUES

During the course of preparing the proposed KPU budget for the next fiscal year, certain issues were identified that may affect the long-term finances of KPU, its operations and the proposed spending plan for 2019. Staff believes that the City Council should be aware of these issues and may want to consider them during its budget deliberations. Each issue is outlined below along with recommendations from staff, if warranted. In most cases, staff has incorporated its recommendations into the proposed budget in order to show the effects of the recommendations on the draft spending plan. Staff recognizes that the final resolution of these issues will be determined by the City Council and that the proposed spending plan may be adjusted accordingly.

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

Summary of Net Income (Loss)
2008 - 2017
Audited

Year	Total	Electric	Telecom	Water
2008	1,508,996	1,098,164	1,316,230	(905,398)
2009	(749,346)	(383,128)	282,283	(648,501)
2010	1,171,359	(343,513)	1,951,975	(437,103)
2011	1,093,603	305,728	1,189,851	(401,976)
2012	(616,243)	193,063	(50,793)	(758,513)
2013	(1,015,060)	(643,319)	711,724	(1,083,465)
2014	(1,324,308)	(995,699)	532,426	(861,035)
2015	(1,669,237)	(910,631)	(66,516)	(692,090)
2016	(1,491,341)	(1,231,491)	149,376	(409,226)
2017	1,731,165	114,926	1,945,067	(328,828)

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

- In 2017, KPU reported net income for the first time in five years. Unfortunately, this may not be repeated in future years. 2017 was an unusual year for the electric utility because it received a record \$1.4 million rebate from SEAPA that is not expected to be repeated in the near term. Future telecommunications utility revenues may also be negatively impacted as a result of efforts in 2018 to renegotiate the telecommunications utility's wireless services contract with Verizon. A 2% cost of living adjustment effective January 1, 2019, side agreements reached in 2018 to raise compensation for certain employee groups and the addition of two FERC mandated power mechanics have increased annual compensation and benefits by \$692,000. Another employee group under consideration for a side agreement could cost KPU about \$220,000.
- Although the telecommunications utility reported a substantial net income in 2017, the utility is no longer the "cash cow" it once was. Net income is shrinking and net losses were reported in two of the last 10 years. The telecommunications utility can no longer be relied upon to subsidize the electric or water utilities. Sound business practices dictate that the earnings of the telecommunications utility should be reinvested in its own operations in order that it may remain responsive to consumer demand and maintain its technological edge in a very competitive business environment that

requires significant capital investments. It is now even more important for each utility to stand on its own because for the first time since the issuance of the Series Q revenue bond in 1987, the telecommunications utility will be required to use debt to finance a capital project proposed for 2019 instead of utilizing its own revenues and reserves.

- In 2014, the City Council resumed more aggressive efforts to address the annual operating deficit of the water utility. This effort has resulted in lowering the water utility's annual operating deficit from \$1.08 million in 2013 to \$328,828 in 2017. Since the electric and telecommunications utilities are no longer able to subsidize the water utility, management recommends that the City Council continue its efforts towards erasing the operating deficit by utilizing more modest rate increases. It is important to avoid repeating the mistake of not sticking to a strategy of raising rates gradually and allowing the deficit to reach \$1.08 million like what happened in 2013.

The following table summarizes and compares the average residential electric rates in the United States and annual rate increases for the past 10 years and estimate for 2018 with KPU's residential electric rates and annual rate increases. The source for this information was the US Department of Energy and the Ketchikan Municipal Code.

Year	Average Growth In Residential Electric Rates	KPU Electric Rate Increases	Average Residential Electric Rates (Cost per kWh)	KPU Residential Electric Rates
2008	5.70%	1.65%	0.1126	0.0958
2009	2.20%		0.1151	0.0958
2010	0.30%		0.1154	0.0958
2011	1.60%		0.1172	0.0958
2012	1.40%		0.1188	0.0958
2013	2.10%		0.1213	0.0958
2014	3.20%		0.1252	0.0958
2015	1.10%		0.1265	0.0958
2016	-0.80%	5.00%	0.1255	0.1006
2017	2.79%		0.1290	0.1006
2018	1.71%	5.00%	0.1312	0.1056

In 2018, the US average residential electric rate was \$0.1312 per kWh (as of July 2018). KPU's current residential electric rate of \$0.1056 per kWh is 19.51% **below** the national average. It is very clear from this table that KPU electric rates are not keeping pace with other utilities and may help to explain why the Electric Division has been incurring operating losses for six of the past ten years and is only able to fund 97.8% of its proposed 2019 operating budget and none of its proposed 2019 capital budget from operating revenues.

Although water rate increases have been occurring on a more frequent basis, the decision to

delay or reduce future rate increases hinders efforts to position the water utility so that it can finance the cost of operations and capital improvements. According to an independent national survey conducted by the American Water Works Association, a professional organization for water utilities, annualized rate increases for water utilities across the nation from 2004 to 2014 amounted to 5.5%, the same amount currently recommended by the City's rate study consultant, the FCS Group. KPU does not always adjust its water rates annually and when it does, it does not adjust the rate increase to account for years when rates are not increased. This may help explain why the water utility has been having a difficult time eliminating its operating losses.

The Summary of Funding by Operating Utility on page C-4 further illustrates another concern regarding the inadequacies of the current rate structure. Of the \$14.78 million capital budget proposed for 2019, 40%, or \$5.9 million, will be funded from reserves. Only \$1,010,120, or 6.8%, will be funded from operating revenues. The balance of \$7.85 million will be bond funded. Ideally, capital spending should be funded through a blend of rates, debt and grants. Reserves should only play a major role if an active capital replacement reserve has been established. Since the State of Alaska is the largest contributor of grants for utility projects and is experiencing its own fiscal challenges, KPU can no longer rely on the availability of state grants to help fund critical utility infrastructure improvements. Relying solely on debt to finance capital improvements will result in higher interest costs, which are ultimately passed on to the rate payer in the form of higher utility rates. In addition, KPU's bond covenants generally require that for every dollar of debt service, KPU must generate \$1.25 of revenue to satisfy debt service coverage requirements.

Staff believes that it is very important for each utility to stand on its own if it is the goal of KPU to offer quality reliable utility services to residents and businesses of the community of Ketchikan. Management is of the opinion that the proper management of utility rate increases is in the best interest of the customers of KPU. Sound budgeting and financial planning needs to consider both revenues and expenses. Rate increases are not only inevitable but necessary in order ensure that the customers of KPU can continue to enjoy access to reliable quality utility services. The proper management of utility rates will help KPU to achieve this goal by limiting costly deferred maintenance and providing the resources required for plant and infrastructure improvements that are needed to meet customer demand. Managing utility rates also minimizes the need for the large rate increases that generally occur when rates are not managed.

Compensation Plan Update As directed by the City Council, the City is undertaking an update to its compensation plan in order to ensure that the plan is sufficient to attract and retain qualified employees for KPU's workforce. Since the cost of personnel services currently accounts for 38.5% of the KPU's total operating budget, it is important ascertain that the costs are both accurate and adequate. Modification to the compensation plan could be costly and may potentially impact how current and future annual spending plans are developed and financed.

The City's total annual payroll is approximately \$21.7 million. A one percent increase in the compensation plan would cost about \$282,000, including benefits. Of this amount, \$159,000, or 56.4% would be paid by General Government and \$123,000, or 43.6%, would be paid by KPU. A five percent increase in the City's compensation plan would cost \$1.41 million annually. General Government's share would be \$795,000 and KPU's share would be \$615,000.

It would be financially unsound for KPU to absorb the entire cost of updating the compensation plan from existing rates and reserves because the cost is significant and will become a permanent annual cost of operations for the utility. Across the board utility rate increases of approximately 1.5% would fund KPU's \$615,000 share of implementing the compensation plan update. In practice some of the utility rate increases could be higher than 1.5% and some of the rates could be lower. For example, the electric rate increases may be need to be higher because the extra revenues would be needed to offset utility rates that cannot be increased, which would be the case for the telecommunications utility. The telecommunications utility may not be able to raise its rates at all or may be limited to smaller increases. Rate increases could be lower because some of its rates are not locally established and some of its rates are locally established but for competitive reasons they cannot be increased by 1.5%.

Back-up Generation The electric utility relies primarily on its own hydroelectric generation facilities and the hydroelectric generation facilities of Southeast Alaska Power Agency to meet the customer demand for energy in the community of Ketchikan. Hydroelectric generation facilities are very dependent on the weather to provide sufficient water resources to power their generators. When the weather is very dry or very cold, the available supply of water is limited and the electric utility may be required to resort to diesel generation.

KPU currently owns and operates four large diesel generators and several smaller generators. Two of the large generators will be 50 years old in 2019 and a third one will be 43. As recent events have revealed, the reliability of the older diesel generators is in question. In order to ensure reliable electric utility services, KPU should begin planning for the replacement of these older generators. The Wartsila diesel generator (aka BAG 4) was KPU's last investment in a large diesel generator and was placed in service in 1998 at a cost of about \$10 million. A similar investment will most likely be required and a bond issue will have to be presented to the voters for ratification. The annual debt service required for a \$10 million bond plus an \$800,000 reserve account at an interest rate of 4.5% would cost about \$830,000 and would require a 5.7% across the board electric utility rate increase to provide for annual debt service sufficient enough to satisfy the debt coverage requirements of KPU's bond covenants.

SIGNIFICANT BUDGET ASSUMPTIONS

In order to present a complete spending plan for 2019, it was necessary for management to make certain assumptions regarding the operations and finances of KPU. Management recognizes that some of the assumptions will require further direction from the City Council and

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

- Staffing levels remained the same as 2018 except that two power mechanics were added to the Electric Division staff in order to satisfy FERC mandated requirements for electric utilities. An assistant water utility manager position was added in September 2018. Included in the 2019 Budget is full funding for the assistant water utility manger position. Step increases have been programmed for all employees except for those employees whose compensation is tied to the journeyman lineman rate. A 2% cost of living adjustment has been programmed for all represented and non-represented employees. The cost of living adjustment will become effective January 1, 2019.
- Certain employee benefit costs have been programmed to increase. Health insurance premiums are expected to rise by 10%. Increases in retirement costs will be limited to rising salaries and wages caused by cost of living adjustments and step increases and assumes that the State of Alaska will not raise the current PERS employer contribution rate of 22 percent.
- A 35% water rate increase has been programmed for seafood processors. This is the third and final rate increase of a three-year program to raise water rates for seafood processors by 35% per year for three years.
- The cost of power purchased from the Southeast Alaska Power Agency has been programmed to remain at the current rate of 6.8 cents per kWh.
- A purchased power rebate from the Southeast Alaska Power Agency in the amount of \$400,000 has been programmed. Although past rebates have been as high as \$1,405,000 a more conservative amount based on the historic norm has been programmed for 2019.
- Liability and property insurance premiums have been programmed to increase. The City's liability and property insurance policies expire on July 1 and, therefore, the renewals overlap the City's calendar fiscal year. In July 2018, total premiums increased by 5.5% and are projected to increase in July 2019 by about 8%. The increases are due to a 50% reduction in the APEI membership dividend, market driven increases in premiums and property reappraisals. Workers compensation insurance premiums have been decreasing and are projected to decline by about 2% due to favorable market conditions. The impact of rising insurance premiums at the KPU division level depends on staffing demographics and the amount of insured property the division is responsible for operating and maintaining.

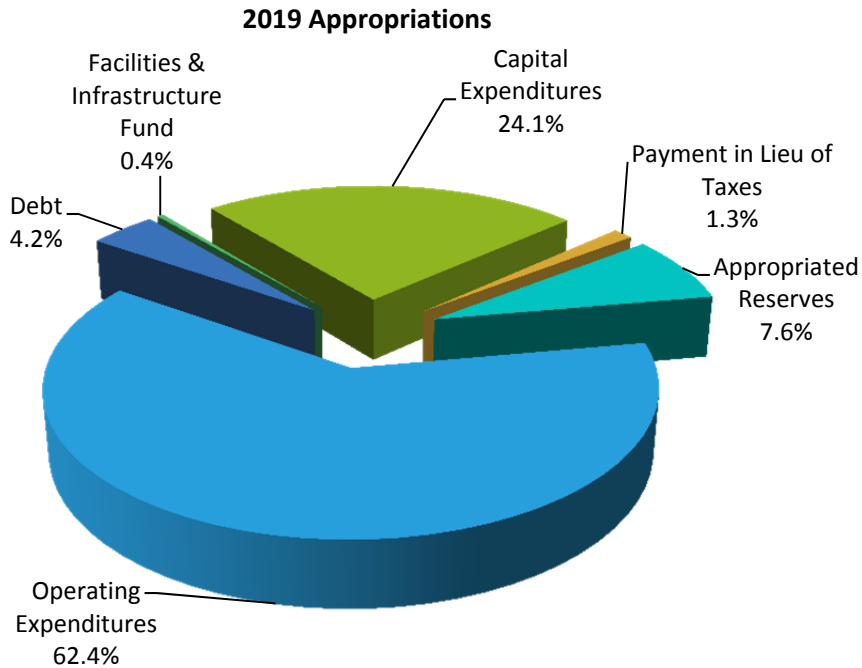
- Annual debt service has been programmed to decrease. In addition to the scheduled payment of \$426,209, a \$986,000 balloon payment was also made in 2018 on a loan to the KPU Telecommunications Division from general government. The balloon payment will not be repeated in 2019. Instead, only the scheduled payment of \$426,209 will be made in 2019. A proposal to issue a \$5.5 million municipal utility revenue bond to finance the construction of a subsea fiber cable for the telecommunications utility has been programmed. The elimination of the balloon payment and the addition of the proposed bond issue, if approved by the City Council and ratified by the voters, will decrease KPU's annual debt service will from \$3.19 million to \$2.60 million. If the bond is not issued, annual debt service will decrease to \$2.17 million.

The Proposed 2019 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 2019 that is acceptable to the community at large and will allow KPU to continue to provide adequate and reliable electric, telecommunications and water services to its customers.

FINANCIAL OVERVIEW OF THE KETCHIKAN PUBLIC UTILITIES 2019 ANNUAL OPERATING AND CAPITAL BUDGET

The 2019 Budget includes all operating and support divisions of KPU. The total amount requested for appropriations is \$61.33 million, an increase of \$9.37 million from the amount appropriated with the adoption of the 2018 Budget. The key components of total appropriations for 2019 and a comparison with 2018 appropriations are as follows:

	2018 Budget	2018 Estimate	2019 Budget
Operating Expenditures	\$ 36,008,286	\$ 35,821,424	\$ 38,246,491
Debt Service	3,188,844	3,144,170	2,601,701
Payment in Lieu of Taxes	786,000	786,000	786,000
Total Cost of Operations	39,983,130	39,751,594	41,634,192
Facilities & Infrastructure Fund	250,000	250,000	250,000
Capital Expenditures	7,703,250	6,073,537	14,775,613
Total Expenditures	47,936,380	46,075,131	56,659,805
Appropriated Reserves	4,017,199	11,359,838	4,667,033
Total Appropriation	<u>\$ 51,953,579</u>	<u>\$ 57,434,969</u>	<u>\$ 61,326,838</u>
Number of Employees	<u>112.50</u>	<u>112.50</u>	<u>115.50</u>



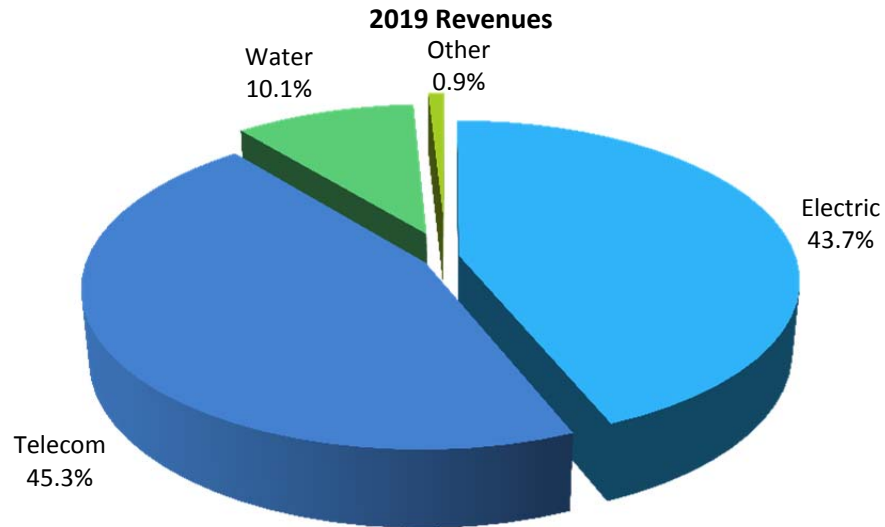
The balance of this overview will include a discussion and analysis of the following areas: (1) revenues; (2) expenditures; (3) personnel; (4) debt management; and (5) compliance with City Council mandated financial objectives.

For additional summary information regarding the proposed spending plan for 2019, please refer to the “C” pages in the budget document.

REVENUES

Operating revenues for utility services in the amount of \$42.12 million have been programmed for 2019. The table below identifies the major revenue sources by operating utility.

	2017 Actual	2018 Budget	2018 Estimate	2019 Budget
Electric	\$ 18,814,122	\$ 18,497,900	\$ 18,842,891	\$ 18,641,000
Telecommunications	19,809,435	19,947,000	20,747,940	18,738,000
Water	3,883,075	4,136,000	4,144,000	4,278,000
Other	122,475	140,000	310,000	458,000
Total	<u>\$ 42,629,107</u>	<u>\$ 42,720,900</u>	<u>\$ 44,044,831</u>	<u>\$ 42,115,000</u>



Electric Revenues: The projection for 2019 electric utility revenues is based on a two-year average of energy sales and the current average electric revenues per kWh, adjusted for new loads and other trends such as conversions from heating fuel to electric heat. There are three variables that can significantly affect the revenue projections. The first is weather. Cold temperatures and high winds increase the demand for electric energy. Another variable is the general state of the economy. A strong economy usually generates a strong demand for energy. A weak economy has the opposite effect. A third variable is the price of heating oil, which has caused some residents to switch from heating their homes with fuel to electricity. The table below summarizes the major operating revenues of the Electric Division.

	2017 Actual	2018 Budget	2018 Estimate	2019 Budget
Residential	\$ 7,626,289	\$ 7,639,000	\$ 7,673,000	\$ 7,759,000
Harbor	343,140	339,000	340,900	349,000
Business	7,214,570	7,304,000	7,228,000	7,331,000
Industrial	1,959,446	1,923,000	1,854,000	1,946,000
Yard Lights	54,133	56,000	59,000	59,000
Demand	517,861	528,000	519,000	525,000
Street Lights	130,875	130,000	131,000	131,000
Energy Sales	17,846,314	17,919,000	17,804,900	18,100,000
Diesel Surcharge	438,882		382,400	
Other	528,926	578,900	655,591	541,000
Total	<u>\$ 18,814,122</u>	<u>\$ 18,497,900</u>	<u>\$ 18,842,891</u>	<u>\$ 18,641,000</u>

In 2017, the electric utility sold 175,448 mWh of energy. The estimate for 2018 is 169,600 mWh and the projection for 2019 is 172,500 mWh. The revenue forecast for 2019 is based on a two-year average of consumption. Electric revenue projections are very sensitive to weather

conditions and conservation measures taken by the customers of the utility. For example, colder weather increases consumption and warmer weather reduces consumption. This occurred in 2017 when cooler weather than average caused a significant increase in consumption.

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

	2017 Actual	2018 Budget	2018 Estimate	2019 Budget
Local Network Services	\$ 2,034,078	\$ 1,909,000	\$ 1,977,000	\$ 1,880,000
Network Access Services	8,525,849	8,627,000	8,914,000	8,149,000
IP Network - DSL and IPTV	4,996,748	5,056,000	5,162,000	5,233,000
4G/LTE	3,818,363	3,932,000	4,258,000	3,056,000
Directory Revenue	270,306	254,000	246,000	231,000
Miscellaneous	164,092	169,000	190,940	189,000
Total	<u>\$ 19,809,436</u>	<u>\$ 19,947,000</u>	<u>\$ 20,747,940</u>	<u>\$ 18,738,000</u>

Revenues from local network services continue to decline albeit at much slower pace than previous years as the markets begin to stabilize. The decline in revenues from local network services is the result of continuing competition from GCI and wireless providers for local customers. Network access services, or separations revenues, are not expected to increase and should remain stable for the immediate future as a result of the recent approval of the Alaska Plan. Under this plan, revenues earned from certain network access services were frozen for a 10-year period. Revenues earned by the IP Network have been projected to increase but at a much slower pace than previous years due to the local market maturing. The telecommunications utility continues to offer new products, technologies and services in order to attract new customers and retain existing customers. No rate increases for IP product lines have been programmed for 2019. Since its rollout in 2014, revenues from 4G/LTE services have grown rapidly and have become a major product line. The customers using the utility's 4G/LTE networks servicing the Ketchikan and Skagway markets continued to expand in 2018 and similar growth is projected for 2019. Rapid growth in these markets is being fueled in part by the significant growth in cruise ship passenger traffic that took place in 2017 and 2018. The trend is expected to continue in 2019 but a new agreement that was recently reached with the utility's wireless provider will result in less revenues from the utility's 4G/LTE networks.

Water Revenues: The operating revenues of the Water Division have been projected to increase by \$142,000 primarily due to a 5.5 percent rate increase for all customer classes except for seafood processors, which became effective April 1, 2018. The balance of the increase is due to a 35% rate increase that was programmed for seafood processors in 2017 and again in 2018. A third and final rate increase of 35% has been programmed for 2019. This third

rate increase for the seafood processors is the last leg of a three year program to bring the water rates charged to the seafood processors to a level that is comparable with what is charged by other communities in Alaska and to help address the operating losses incurred by the water utility. The proposed effective date for the rate increases is April 1, 2019. The table that follows summarizes the major operating revenues of the Water Division.

	2017 Actual	2018 Budget	2018 Estimate	2019 Budget
Residential	\$ 1,655,801	\$ 1,733,000	\$ 1,729,000	\$ 1,752,000
Apartment	357,127	375,000	372,000	376,000
Business	1,302,261	1,355,000	1,372,000	1,391,000
Industrial	91,194	95,000	95,000	96,000
Seafood	174,184	249,000	247,000	333,000
Port	157,725	188,000	188,000	188,000
Raw Fish Tax	93,143	92,000	93,000	93,000
Miscellaneous	51,640	49,000	48,000	49,000
Total	<u>\$ 3,883,075</u>	<u>\$ 4,136,000</u>	<u>\$ 4,144,000</u>	<u>\$ 4,278,000</u>

Beginning in 2015, the City Council directed that a portion of the proceeds from the State of Alaska's Raw Fish Tax Program be directed towards supporting the operations of the water utility and minimizing the losses that are occurring because seafood processor water rates are subsidized by other customer rate classes. The formula was changed in 2017 from a fixed amount of \$100,000 annually to 23% of the annual raw fish tax payment.

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

OPERATING EXPENDITURES

Operating expenditures, including debt service and payments in lieu of taxes, in the amount of \$41.63 million have been programmed for 2019, an increase of \$1.65 million over the amount appropriated with the adoption of the 2018 Budget. The table below identifies the major operating expenses by division.

	2018 Budget	2018 Estimate	2019 Budget
General Manager	\$ 421,963	\$ 359,243	\$ 398,577
Sales, Marketing & Customer Service	2,661,330	2,642,292	2,827,273
Electric	17,351,247	17,636,509	18,362,248
Telecommunications	16,017,341	15,747,942	16,284,489
Water	3,531,249	3,365,608	3,761,605
Total	<u>\$ 39,983,130</u>	<u>\$ 39,751,594</u>	<u>\$ 41,634,192</u>

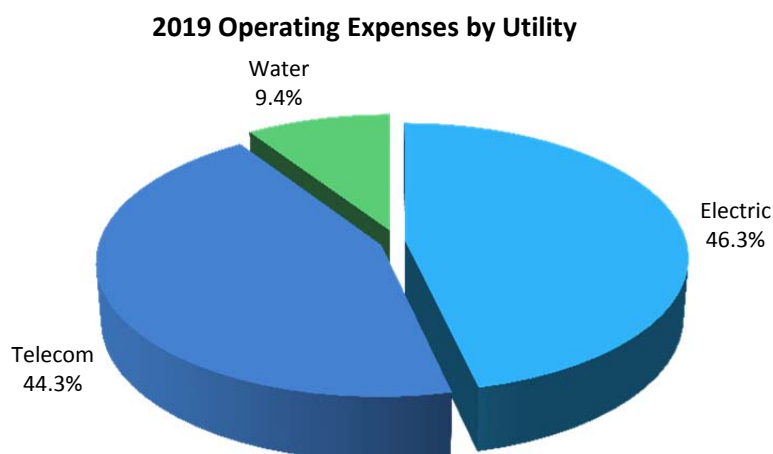
The largest increase in operating expenses is occurring within the electric utility. The cost of operating this division is projected to increase by \$1.01 million, or 5.8%. About \$683,000 of

the increase is due the rising cost of personnel services. A 2% cost of living adjustment, side agreements to raise compensation for certain employee groups, and the addition of two new power mechanic positions are the reasons for this increase. Increases in purchased power and smaller power rebates from SEAPA contributed to \$200,000 of the increase. Revisions to allocation method for IT interdepartmental charges and rising insurance premiums accounted for \$64,000 of the increase.

The telecommunications utility is projecting a small increase in operating costs of about \$267,000. About \$185,000 of the increase is due to the rising cost of personnel service. A 2% cost of living adjustment, increased overtime and higher insurance costs due to rising premiums and budgeting for family coverage for vacant positions accounted for most of the increase in personnel costs. The rising costs of broadcast content fees, engineering services for enhancing and maintaining the complex equipment needed by the utility to serve the needs of its customers and transport capacity have increased by \$695,000. These increases have been partially offset by a \$558,000 decrease in debt service. Debt service was reduced by not repeating the special \$986,000 balloon payment made in 2018 on the \$4 million loan from General Government to KPU. For 2019, the utility will be required to resume regular payments of \$426,209. These savings were offset by debt service in the amount of \$430,820 for a proposed \$5.5 million bond to finance a subsea fiber cable for the utility.

The water utility is projecting an increase of about \$230,000 in operating costs due primarily to rising personnel costs. The addition of an Assistant Water Division Manger increased personnel costs by \$196,000.

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

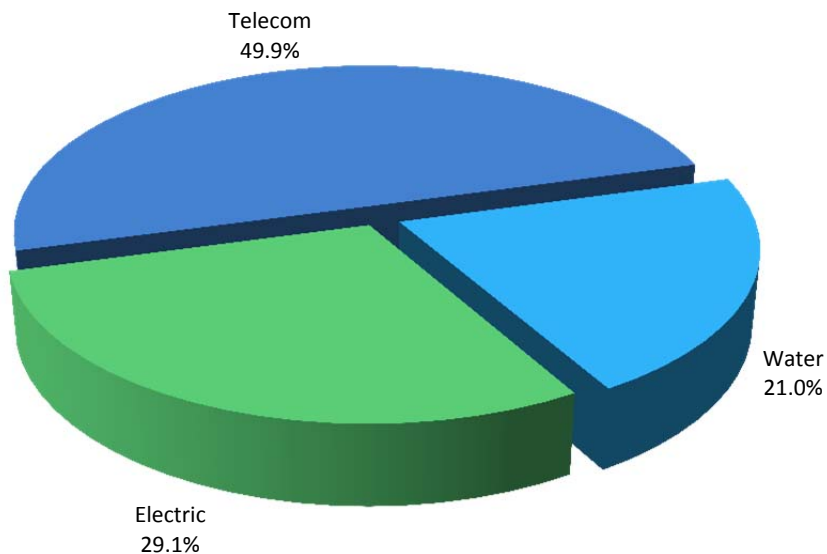


CAPITAL EXPENDITURES

The amount of capital appropriations requested for 2019 is \$14.78 million. The table below identifies the major capital expenses by utility.

	2018 Budget	2018 Estimate	2019 Budget
Electric	\$ 3,065,250	\$ 2,817,864	\$ 4,299,542
Telecommunications	3,315,000	3,007,500	7,377,000
Water	1,323,000	248,173	3,099,071
Total	<u>\$ 7,703,250</u>	<u>\$ 6,073,537</u>	<u>\$14,775,613</u>

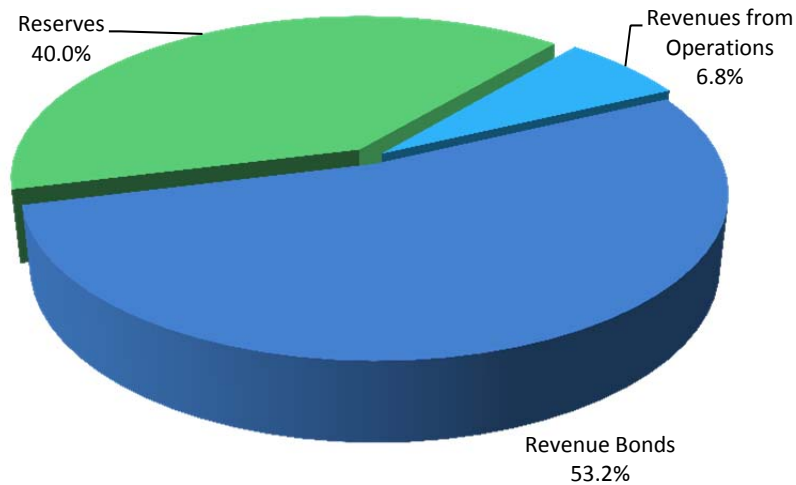
2019 Capital Expenses by Utility



Funding for the proposed capital budget is as follows:

	Amount	Percentage
Revenues from Operations	\$ 1,010,120	7%
Bonds	7,852,000	53%
Reserves	5,913,493	40%
	<u>\$ 14,775,613</u>	<u>100%</u>

Sources of Funding for 2019 Capital Expenses



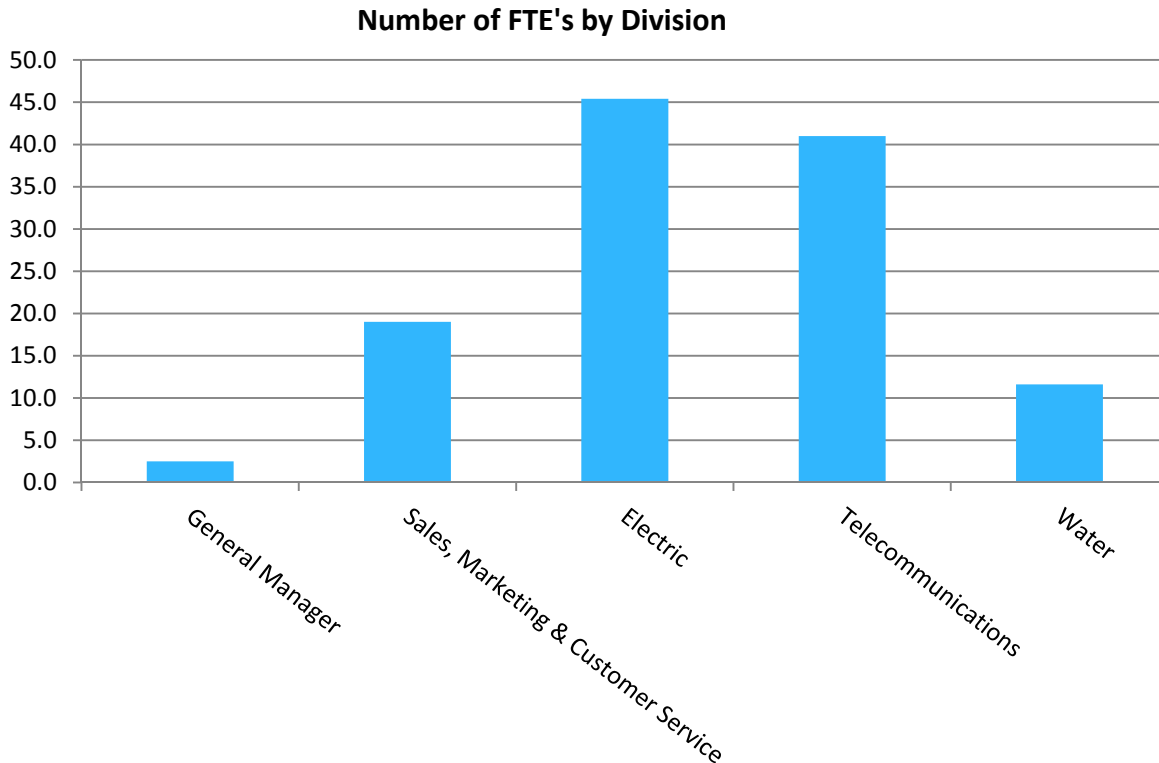
Please see the proposed KPU 2019 - 2023 Capital Improvement Program for information about the projects planned for 2019.

PERSONNEL

The proposed 2019 KPU Budget requests funding for 115.50 full-time equivalent (FTE) employees, net of Swan Lake personnel (4.0 FTE). Changes in total staffing have been proposed. Two power mechanics were added for the electric utility and an assistant water division manager position was added for the water utility. Please see page C-3 for a summary of personnel by division.

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.

	2018 Budget	2018 Estimate	2019 Budget
Salaries and Wages - Regular Employees	\$ 8,849,660	\$ 8,456,930	\$ 9,426,663
Salaries and Wages - Temporary Employees	133,500	64,080	145,100
Overtime	498,000	612,210	670,000
Payroll Taxes	725,330	700,630	784,270
Pension	1,622,780	1,523,490	1,741,010
Health and Life Insurance	2,488,530	2,353,290	2,731,510
Workers Compensation	289,120	266,650	292,145
Other Benefits	191,050	205,990	205,760
Allowances	48,440	43,265	47,240
Total	<u>\$ 14,846,410</u>	<u>\$ 14,226,535</u>	<u>\$ 16,043,698</u>
Number of Employees (FTE)	<u>112.50</u>	<u>112.50</u>	<u>115.50</u>



The total cost of personnel is projected to increase by \$1.20 million to \$16.04 million. Regular salaries and wages are projected to increase by \$577,000 to \$9.43 million as a result of step increases for employees whose compensation is not tied to the journeyman lineman pay scale, a 2.0% cost of living adjustment for represented and non-represented employees, side agreements to raise compensation for certain employee groups and the addition of three new

positions. The new positions added were an assistant water division manager and two power mechanics. Approximately 80.5% of KPU's workforce is covered by a collective bargaining agreement and 19.5% of the workforce is not represented.

Health insurance costs are projected to increase by \$243,000 due a number of factors as follows:

- Health insurance premiums have been projected to rise by 10%.
- Three new additions to KPU's workforce have been proposed. It will cost \$79,400 to provide health insurance for these three positions.
- Vacancies frequently generate changes in coverage. For example, the recent turnover in the engineering staff of the Telecommunications Division has resulted in a \$32,900 increase in the division's health insurance costs.

Other benefits such as payroll taxes and pension costs that are based on a percentage of compensation have been programmed to increase because of step increases, cost of living adjustments and the addition of three new positions to KPU's workforce.

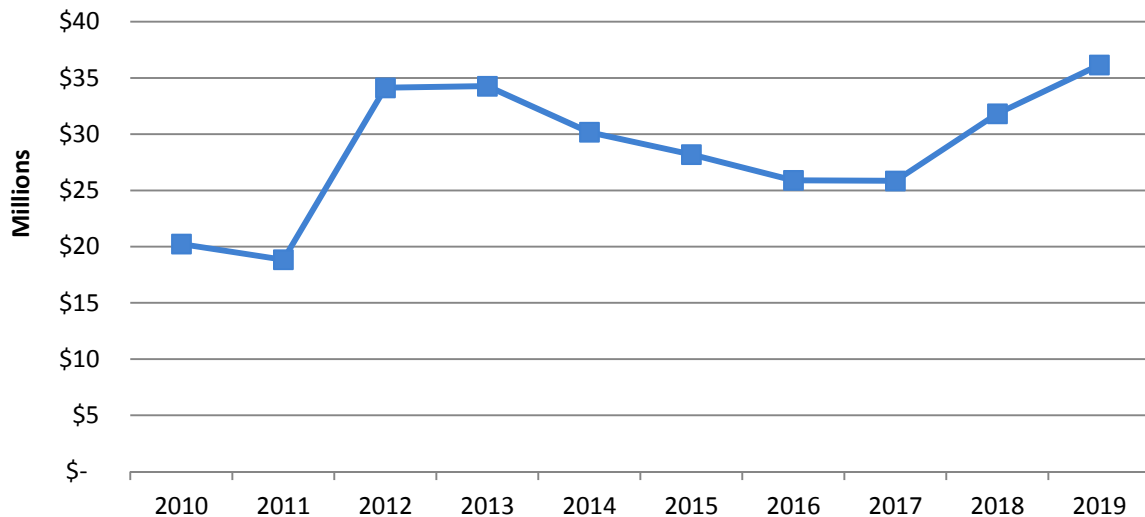
DEBT

In 2019, KPU will have outstanding ten revenue bond issues and one interfund loan totaling \$29,063,027. The table below summarizes KPU's bond issues that will be outstanding on January 1, 2019 and the debt service requirements for 2019.

Issue	Balance	Final Maturity	Type	Debt Service		
	Outstanding January 1, 2019			2018 Budget	2018 Estimate	2019 Budget
ADEC 481021	1,304,660	2032	Revenue	107,118	\$ 107,118	\$ 107,118
ADEC 481051	4,462,814	2032	Revenue	333,357	333,357	333,357
ADEC 481061	944,402	2032	Revenue	70,544	70,544	70,544
ADEC 481091	83,402	2033	Revenue	6,230	6,230	6,230
ADEC 481121	196,328	2033	Revenue	14,666	14,666	14,666
ADEC 481141	584,799	2035	Revenue	39,100	39,100	39,100
ADEC 481041	632,620	2037	Revenue	58,295	13,621	30,907
Series W - CREB	400,000	2022	Revenue	83,000	83,000	82,400
Series X - Whitman	11,785,000	2032	Revenue	1,061,325	1,061,325	1,060,350
Series Y - Telecom	5,500,000	2038	Revenue	-	-	430,820
Interfund Loan	3,169,002	2019	Interfund	1,415,209	1,415,209	426,209
Total	<u>\$ 29,063,027</u>			<u>\$ 3,188,844</u>	<u>\$ 3,144,170</u>	<u>\$ 2,601,701</u>

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

Outstanding Debt Balances 2010-2019



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

The interfund loan is a loan from three General Government funds. In 2013, the Port, Community Facilities Development and Self-Insurance Funds loaned the KPU Fund \$2.7 million, \$700,000 and \$600,000, respectively, for a total of \$4 million. The proceeds from the loan were used to finance the construction of a wireless network and a microwave radio link. The loans will be repaid over a period not to exceed 12 years with interest at an annual rate of four percent. Principal payments began in 2015. Twelve annual installments of \$426,209 will be required to retire this interfund loan. In 2018, it was determined that the Port Fund required an accelerated repayment schedule in order to provide resources needed for several expansion projects planned at the Port of Ketchikan. In order to accommodate the needs of the Port, the 2018 scheduled installment for this interfund loan was increased from \$426,209 to \$1,415,209. For 2019, debt service payments for this interfund loan will revert back to \$426,209 annually.

In 2019, KPU anticipates issuing a \$5.5 million municipal utility revenue bond to finance the construction of an undersea fiber cable between Ketchikan, Alaska and Prince Rupert, BC, Canada. The term of the bond is 20-years and will carry an estimated interest rate of 5%. Annual debt service payments are estimated at \$430,820. The proceeds of the bond issue will include \$490,000 to finance a bond reserve account and bond issuance costs.

KPU is currently required by its bond covenants to maintain debt service coverage of net revenues equal to 1.25 times annual debt service. Resolution No. 90-1645 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 will not be in compliance with the debt service coverage requirements of Resolution No. 90-1645, but it will be in compliance with KPU's bond covenants. Please see page C-5 for more information regarding KPU's projected debt service coverage.

Total annual debt service in the amount of \$2,601,701 has been programmed in the 2019 Budget. On January 1, 2019, the total debt service required to maturity, including interest of \$7,084,502, will be \$36,147,529. Please see pages C-6 and C-7 for more information regarding KPU debt.

COMPLIANCE WITH CITY COUNCIL MANDATED FINANCIAL OBJECTIVES

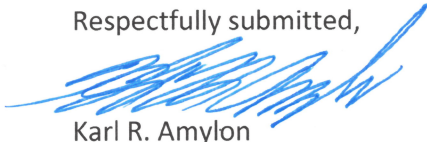
Resolution No. 90-1645, adopted by the City Council in 1990, established certain financial objectives for KPU. In 2013, the Council adopted a new fund balance policy that superseded the fund balance policy contained in Resolution No. 90-1645. The new policy requires KPU to maintain a reserve requirement of no less than 25% of operating expenses. The schedule on page C-5 documents compliance with the reserve requirement and shows that the proposed spending plan for 2019 is **not** in compliance. The required fund balance is \$9.76 million and the projected fund balance is \$5.42 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 proposed spending plan for 2019 almost satisfies this requirement.

CONCLUSION

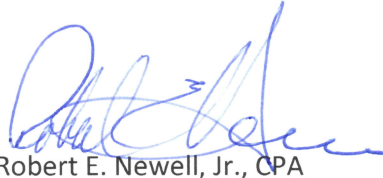
The 2019 Budget allows for the continuation of basic utility services. Staff believes that this document provides the community and the City Council with the opportunity to begin the process of confronting the challenges that lie ahead for KPU in 2019. Over the next few weeks, staff looks forward to working with the City Council to develop a spending plan that moves the community quickly to the forefront and permits KPU to continue to play an important role in shaping the future of the local economy.

We would both like to take this opportunity to express our appreciation to the division managers and their respective staffs for their assistance during the preparation of the KPU 2019 Operating and Capital Budget. Special thanks go to Assistant City Manager/KPU General Manager Lacey Simpson, Financial Analyst Camille Nelson, Executive Assistant Diane Walker, Senior Electric and Water Accountant Stan Aegerter, Senior Telecommunications Accountant Joe Graham, Senior General Government Accountant Patty Keeley and Office Services Technician Chelsie Weihing. Without their efforts and dedication, it would not have been possible to deliver this document to you in a professional and timely manner.

Respectfully submitted,



Karl R. Amylon
KPU General Manager



Robert E. Newell, Jr., CPA
Finance Director

(Note: This transmittal letter does not reflect any subsequent action taken by the City Council during its budget deliberations to modify the spending plan proposed for 2019.)

KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Revenues and Appropriation Summary

	2018			2019
	Adopted	Amended	Estimate	Budget
KPU Enterprise Fund				
Funds Available, January 1	8,232,679	8,232,679	13,390,138	11,359,838
Revenues:				
Electric	18,497,900	18,880,300	18,842,891	19,256,000
Telecommunications	19,947,000	19,947,000	20,747,940	23,748,000
Water	5,136,000	5,136,000	4,144,000	7,270,000
Other	140,000	140,000	310,000	458,000
Total Revenues	43,720,900	44,103,300	44,044,831	50,732,000
Appropriations:				
Administration	421,963	429,463	359,243	398,577
Sales, Marketing & Customer Service	2,661,330	2,661,330	2,642,292	2,830,773
Electric	20,416,497	21,862,408	20,454,373	21,983,960
Telecommunications	19,332,341	19,318,955	18,755,442	23,818,627
Water	4,854,249	4,850,130	3,613,781	6,862,346
Transfer to Facilities & Infrastructure Replacement Fund	250,000	250,000	250,000	250,000
Total Appropriations	47,936,380	49,372,286	46,075,131	56,144,283
Funds Available, December 31	4,017,199	2,963,693	11,359,838	5,947,555

	2018			2019
	Adopted	Amended	Estimate	Budget
KPU Facilities & Infrastructure Replacement Fund				
Funds Available, January 1	250,000	250,000	250,000	500,000
Revenues:				
Transfer from KPU Enterprise Fund	250,000	250,000	250,000	250,000
Total Revenues	250,000	250,000	250,000	250,000
Appropriations:				
Transfers to KPU Enterprise Fund				
Total Appropriations				
Funds Available, December 31	500,000	500,000	500,000	750,000

KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Summary of Expenditures - All Divisions

	General Manager	Sales, Marketing & Customer Service	Electric	Telecom	Water	Total
Operating Costs:						
Personnel Services and Benefits	356,722	1,950,100	6,261,765	5,956,430	1,674,889	16,199,906
Supplies	5,275	96,750	7,944,400	885,500	311,795	9,243,720
Contract/Purchased Services	12,425	740,403	1,289,000	7,477,750	522,100	10,041,678
Minor Capital Outlay	20,525	27,400	52,500	17,500	5,700	123,625
Interdepartmental Charges	3,630	16,120	1,291,010	1,041,060	449,220	2,801,040
Operating Costs Before PILOT and Debt Service	398,577	2,830,773	16,838,675	15,378,240	2,963,704	38,409,969
Payment in Lieu of Taxes			381,993	206,358	197,649	786,000
Operating Costs Before Debt Service	398,577	2,830,773	17,220,668	15,584,598	3,161,353	39,195,969
Debt Service			1,142,750	857,029	601,922	2,601,701
Operating Costs Before Allocation of Overhead	398,577	2,830,773	18,363,418	16,441,627	3,763,275	41,797,670
Allocation of Overhead to Operating Utilities:						
General Manager	(398,577)		199,289	179,360	19,929	-
Sales, Marketing & Customer Service		(2,830,773)	736,001	1,981,541	113,231	-
Total Operating Costs	-	-	19,298,708	18,602,528	3,896,435	41,797,670
Major Capital Outlay			3,620,542	7,377,000	3,099,071	14,096,613
Total Expenditures	-	-	22,919,250	25,979,528	6,995,506	55,894,283
Transfer to KPU Facilities and Infrastructure Fund						250,000
Total Appropriations						56,144,283

KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Number of Employees Comparative Schedule

Division	2016 Actual	2017 Actual	2018			2019 Budget	2019 Adopted/2018	
			Adopted	Amended	Estimate		Incr(Decr)	%
5100 GENERAL MANAGER	2.50	2.50	2.50	2.50	2.50	2.50	-	0.0%
5110 SALES, MARKETING & CUSTOMER SERVICE	17.00	19.00	19.00	19.00	19.00	19.00	-	0.0%
5200 ELECTRIC								
Administrative	6.00	6.00	6.00	6.00	6.00	6.00		0.0%
Generation	7.00	7.00	7.00	7.00	7.00	7.00	-	0.0%
Transmission/Distribution	19.40	19.40	19.40	19.40	19.40	19.40	-	0.0%
Maintenance	7.00	7.00	7.00	7.00	7.00	9.00	2.00	28.6%
Swan Lake	4.00	4.00	4.00	4.00	4.00	4.00	-	0.0%
TOTAL ELECTRIC	43.40	43.40	43.40	43.40	43.40	45.40		
Less Personnel Allocated to Swan Lake	(4.00)	(4.00)	(4.00)	(4.00)	(4.00)	(4.00)	-	0.0%
NET ELECTRIC	39.40	39.40	39.40	39.40	39.40	41.40	2.00	5.1%
5300 TELECOMMUNICATIONS								
Administrative	6.00	6.00	6.00	6.00	6.00	6.00	-	0.0%
Engineering Operations	4.00	3.00	3.00	3.00	3.00	3.00	-	0.0%
Plant Specific Operations	26.00	26.00	26.00	26.00	26.00	26.00	-	0.0%
Plant Non-Specific Operations	6.00	6.00	6.00	6.00	6.00	6.00	-	0.0%
TOTAL TELECOMMUNICATIONS	42.00	41.00	41.00	41.00	41.00	41.00	-	0.0%
5400 WATER	10.60	10.60	10.60	10.93	10.93	11.60	1.00	9.4%
TOTAL KPU EMPLOYEES	115.50	116.50	116.50	116.83	116.83	119.50	3.00	2.6%
Less Personnel Allocated to Swan Lake	(4.00)	(4.00)	(4.00)	(4.00)	(4.00)	(4.00)	-	0.0%
NET KPU EMPLOYEES	111.50	112.50	112.50	112.83	112.83	115.50	3.00	2.7%

KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Summary of Funding by Operating Utility

	Total	Operating Revenues	Grants	Bonds/ Loans	Other	Reserves
Electric:						
Operating Costs	17,773,965	17,773,965	-	-	-	-
Debt Service	1,142,750	1,142,750	-	-	-	-
Payment in Lieu of Taxes	381,993	339,285	-	-	42,708	-
Major Capital Outlay	3,620,542	-	-	-	186,292	3,434,250
Total	22,919,250	19,256,000	-	-	229,000	3,434,250
Telecommunications:						
Operating Costs	17,539,141	17,539,141	-	-	-	-
Debt Service	857,029	857,029	-	-	-	-
Payment in Lieu of Taxes	206,358	206,358	-	-	-	-
Major Capital Outlay	7,377,000	135,472	-	5,010,000	229,000	2,002,528
Total	25,979,528	18,738,000	-	5,010,000	229,000	2,002,528
Water:						
Operating Costs	3,096,864	3,096,864	-	-	-	-
Debt Service	601,922	601,922	-	-	-	-
Payment in Lieu of Taxes	197,649	197,649	-	-	-	-
Major Capital Outlay	3,099,071	531,565	-	2,842,000	-	(274,494)
Total	6,995,506	4,428,000	-	2,842,000	-	(274,494)
Facilities & Infrastructure Replacement	250,000	-	-	-	-	250,000
Total	56,144,283	42,422,000	-	7,852,000	458,000	5,412,284

KETCHIKAN PUBLIC UTILITIES**2019 Operating and Capital Budget****Compliance With Fund Balance Policy, Resolution No. 90-1645 and KPU Bond Covenants**

Description	Amount
Operating Revenues:	
Electric	19,256,000
Telecommunications	18,738,000
Water	4,428,000
Other	458,000
Total Operating Revenues	42,880,000
Operating Costs:	
Personnel Services and Benefits	16,199,906
Supplies	9,243,720
Contract/Purchased Services	10,041,678
Minor Capital Outlay	123,625
Interdepartmental Charges	2,801,040
Payment in Lieu of Taxes	786,000
Total Operating Costs	39,195,969
Net Revenue	3,684,031
Add Back Payment in Lieu of Taxes	786,000
Net Revenue Available for Debt Service	4,470,031
A. Compliance with Fund Balance Policy:	
Total Operating Costs	39,195,969
Reserve Requirement at 25 Percent of Total Operating Costs	9,798,992
Estimated Reserves, December 31, 2019	6,697,555
Over (Under) Reserve Requirement	(3,101,437)
B. Compliance with the Debt Service Coverage Requirements of Resolution No. 90-1645:	
Net Revenue Available for Debt Service	4,470,031
Debt Service	2,601,701
Debt Service Coverage (Required Debt Service Coverage: 1.50 - 2.0)	1.72
C. Compliance with the Debt Service Coverage Requirements of KPU's Bond Covenants:	
Net Revenue Available for Debt Service	4,470,031
Debt Service	2,601,701
Less Debt Not Subject to Bond Covenants	(1,028,131)
Debt Service Coverage (Required Debt Service Coverage: 1.25)	2.84

KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Annual Debt Service By Utility

C S	Issue	Principal	Interest	Total	Electric	Electric	Telecom	Telecom	Water	Water	Total	Total
		Due	Due	Due	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount
	Revenue Bond Debt:											-
	Series W - CREBS	80,000	2,400	82,400	100.00%	82,400	-	-	-	-	100.00%	82,400
	ADEC #481021	87,876	19,242	107,118	-	-	-	-	100.00%	107,118	100.00%	107,118
	ADEC #481061	56,589	13,955	70,544	-	-	-	-	100.00%	70,544	100.00%	70,544
	ADEC #481051	267,413	65,944	333,357	-	-	-	-	100.00%	333,357	100.00%	333,357
	ADEC #481091	4,997	1,233	6,230	-	-	-	-	100.00%	6,230	100.00%	6,230
	ADEC #481121	11,765	2,901	14,666	-	-	-	-	100.00%	14,666	100.00%	14,666
	ADEC #481141	30,442	8,658	39,100	-	-	-	-	100.00%	39,100	100.00%	39,100
	ADEC - 481041	27,549	3,358	30,907	-	-	-	-	100.00%	30,907	100.00%	30,907
	Series X - Whitman	540,000	520,350	1,060,350	100.00%	1,060,350	-	-	-	-	-	1,060,350
	Series Y - Subsea Fiber Cable	293,320	137,500	430,820	-	-	100.00%	430,820	-	-	-	430,820
		1,399,951	775,541	2,175,492	-	1,142,750	-	430,820	-	601,922	-	2,175,492
	Other Debt:											
	Advances from Other Funds	350,987	75,222	426,209	-	-	100.00%	426,209	0.00%	-	100.00%	426,209
	Total	1,750,938	850,763	2,601,701	-	1,142,750	-	857,029	-	601,922	-	2,601,701

KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Schedule of Current and Future Annual Debt Service

Year	Series W CREBS	Series W ADEC 481021	Series W ADEC 481061	Series W ADEC 481051	Series W ADEC 481091	Series W ADEC 481121	Series W ADEC 481141	Series X Whitman	Series Y ADEC 481041	Interfund Loan	Series Y Undersea Cable	Total
2019	82,400	107,118	70,544	333,357	6,230	14,666	39,100	1,060,350	30,907	426,209	430,820	2,601,701
2020	81,800	107,118	70,544	333,357	6,230	14,666	39,100	1,061,050	36,730	426,209	430,820	2,607,624
2021	81,200	107,118	70,544	333,357	6,230	14,666	39,100	1,058,250	36,730	426,209	430,820	2,604,224
2022	80,600	107,118	70,544	333,357	6,230	14,666	39,100	1,059,550	36,730	426,209	430,820	2,604,924
2023		107,118	70,544	333,357	6,230	14,666	39,100	1,059,850	36,730	405,704	430,820	2,504,119
2024		107,118	70,544	333,357	6,230	14,666	39,100	1,060,750	36,730		430,820	2,099,315
2025		107,118	70,544	333,357	6,230	14,666	39,100	1,061,875	36,730		430,820	2,100,440
2026		107,118	70,544	333,357	6,230	14,666	39,100	1,061,250	36,730		430,820	2,099,815
2027		107,118	70,544	333,357	6,230	14,666	39,100	1,058,875	36,730		430,820	2,097,440
2028		107,118	70,544	333,357	6,230	14,666	39,100	1,059,625	36,730		430,820	2,098,190
2029		107,118	70,544	333,357	6,230	14,666	39,100	1,058,375	36,730		430,820	2,096,940
2030		107,118	70,544	333,357	6,230	14,666	39,100	1,060,000	36,730		430,820	2,098,565
2031		107,118	70,544	333,357	6,230	14,666	39,100	1,059,375	36,730		430,820	2,097,940
2032		53,563	70,544	333,357	6,230	14,666	39,100	1,061,375	36,730		430,820	2,046,385
2033			70,544	333,357	6,230	14,666	39,100	1,060,875	36,730		430,820	1,992,322
2034							39,100		36,730		430,820	506,650
2035							39,100		36,730		430,820	506,650
2036									36,730		430,820	467,550
2037									36,730		430,820	467,550
2038									18,365		430,820	449,185
	326,000	1,446,097	1,058,160	5,000,355	93,450	219,990	664,700	15,901,425	710,412	2,110,540	8,616,400	36,147,529

KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Revenue Summary by Utility

Electric Revenues	2017	2018			2019	2017 Adopted/2018	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operating Revenue							
Residential	7,626,289	7,639,000	7,639,000	7,673,000	8,030,400	391,400	5.1%
Harbor	343,140	339,000	339,000	340,900	361,200	22,200	6.5%
Business	7,214,570	7,304,000	7,304,000	7,228,000	7,587,500	283,500	3.9%
Industrial	1,959,446	1,923,000	1,923,000	1,854,000	1,996,000	73,000	3.8%
					-		
Yard Lights	54,133	56,000	56,000	59,000	61,000	5,000	8.9%
Large Commercial Demand	320,285	324,000	324,000	323,000	337,400	13,400	4.1%
City Street Lights	130,875	130,000	130,000	131,000	135,500	5,500	4.2%
Industrial Demand	197,576	204,000	204,000	196,000	206,000	2,000	1.0%
Diesel Fuel Surcharge	438,882	-	382,400	382,400	-	-	NA
Total Operating Revenue	18,285,196	17,919,000	18,301,400	18,187,300	18,715,000	796,000	4.4%
Other Operating Revenue							
Service Charges	110,200	120,000	120,000	115,000	115,000	(5,000)	-4.2%
Penalty	87,077	95,000	95,000	92,000	92,000	(3,000)	-3.2%
Pole Rentals - External	63,427	61,900	61,900	62,000	62,000	100	0.2%
Pole Rentals - Interdepartmental	142,397	138,000	138,000	138,000	138,000	-	0.0%
Surveillance and Trouble Call Services	30,546	30,000	30,000	-	-	(30,000)	-100.0%
Reimbursable Projects	91,440	125,000	125,000	125,000	125,000	-	0.0%
Hydro Incentive Program				110,591		-	NA
Other Revenue	3,839	9,000	9,000	13,000	9,000	-	0.0%
Total Other Operating Revenue	528,926	578,900	578,900	655,591	541,000	(37,900)	-6.5%
Total Operating Revenue	18,814,122	18,497,900	18,880,300	18,842,891	19,256,000	758,100	4.1%
Nonoperating Revenue							
Grants						-	NA
Total Nonoperating Revenue	-	-	-	-	-	-	NA
Total Electric Revenue	18,814,122	18,497,900	18,880,300	18,842,891	19,256,000	758,100	4.1%

KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Revenue Summary by Utility

Telecommunications Revenues	2017	2018			2019	2017 Adopted/2018	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Local Network Services							
Business & Residential	964,996	904,000	904,000	931,000	885,000	(19,000)	-2.1%
Local Special Circuits	920,212	861,000	861,000	908,000	863,000	2,000	0.2%
Other Local Revenue	148,870	144,000	144,000	138,000	132,000	(12,000)	-8.3%
Total Local Revenue	2,034,078	1,909,000	1,909,000	1,977,000	1,880,000	(29,000)	-1.5%
Network Access Services							
Interstate Flat Rate End User	896,699	879,000	879,000	809,000	622,000	(257,000)	-29.2%
Interstate Access Charges	4,540,690	4,626,000	4,626,000	5,022,000	4,783,000	157,000	3.4%
Interstate Special Access Charges	1,676,771	1,795,000	1,795,000	1,682,000	1,648,000	(147,000)	-8.2%
Intrastate Access Charges	1,411,689	1,327,000	1,327,000	1,401,000	1,096,000	(231,000)	-17.4%
Total Network Access Services Revenue	8,525,849	8,627,000	8,627,000	8,914,000	8,149,000	(478,000)	-5.5%
Miscellaneous							
Directory Revenue	270,306	254,000	254,000	246,000	231,000	(23,000)	-9.1%
Miscellaneous Revenue	63,640	59,000	59,000	67,000	68,000	9,000	15.3%
Total Miscellaneous Revenue	333,946	313,000	313,000	313,000	299,000	(14,000)	-4.5%
Nonregulated & Other Revenue							
Customer Premise Eq Sales/Service	12,260	24,000	24,000	19,000	23,000	(1,000)	-4.2%
Payphone Revenue	4,298	3,000	3,000	3,940	-	(3,000)	-100.0%
Long Distance Revenue	64,704	63,000	63,000	79,000	79,000	16,000	25.4%
IP Network	4,996,748	5,056,000	5,056,000	5,162,000	5,233,000	177,000	3.5%
4G LTE	3,818,363	3,932,000	3,932,000	4,258,000	3,056,000	(876,000)	-22.3%
Miscellaneous	19,190	20,000	20,000	22,000	19,000	(1,000)	-5.0%
Total Nonregulated & Other Revenue	8,915,562	9,098,000	9,098,000	9,543,940	8,410,000	(688,000)	-7.6%
Total Operating Revenues	19,809,435	19,947,000	19,947,000	20,747,940	18,738,000	(1,209,000)	-6.1%
Nonoperating Revenue							
Bond Proceeds	-	-	-	-	5,010,000	5,010,000	New
Total Nonoperating Revenue	-	-	-	-	5,010,000	5,010,000	0.0%
Total Telecommunications Revenue	19,809,435	19,947,000	19,947,000	20,747,940	23,748,000	3,801,000	19.1%

KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Revenue Summary by Utility

Water Revenues	2017 Actual	2018			2019 Budget	2017 Adopted/2018	
		Adopted	Amended	Estimate		Incr(Decr)	%
Operating Revenue							
Residential	1,655,801	1,733,000	1,733,000	1,729,000	1,824,300	91,300	5.3%
Apartment	357,127	375,000	375,000	372,000	391,500	16,500	4.4%
Business	1,302,261	1,355,000	1,355,000	1,372,000	1,448,000	93,000	6.9%
Industrial	91,194	95,000	95,000	95,000	100,000	5,000	5.3%
Cannery	174,184	249,000	249,000	247,000	333,000	84,000	33.7%
Port	157,725	188,000	188,000	188,000	188,000	-	0.0%
Fire Hydrant	28,080	30,000	30,000	29,000	31,200	1,200	4.0%
Total Operating Revenue	3,766,372	4,025,000	4,025,000	4,032,000	4,316,000	291,000	7.2%
Other Operating Revenue							
Penalty	21,069	18,000	18,000	18,000	18,000	-	0.0%
Other Revenue	2,491	1,000	1,000	1,000	1,000	-	0.0%
Raw Fish Tax	93,143	92,000	92,000	93,000	93,000	1,000	1.1%
Total Other Operating Rev	116,703	111,000	111,000	112,000	112,000	1,000	0.9%
Total Operating Revenue	3,883,075	4,136,000	4,136,000	4,144,000	4,428,000	292,000	7.1%
Water Nonoperating Revenue							
Bond Proceeds	-	1,000,000	1,000,000	-	2,842,000	1,842,000	184.2%
Total Nonoperating Water Revenue	-	1,000,000	1,000,000	-	2,842,000	1,842,000	184.2%
Total Water Revenue	3,883,075	5,136,000	5,136,000	4,144,000	7,270,000	2,134,000	41.5%

KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Revenue Summary by Utility

Other Revenues	2017	2018			2019	2017 Adopted/2018	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operating Revenue							
Interest Income	32,475	50,000	50,000	220,000	360,000	310,000	620.0%
Gen Gov Billing and Collections	90,000	90,000	90,000	90,000	98,000	8,000	8.9%
Total Other Operating Revenue	122,475	140,000	140,000	310,000	458,000	318,000	227.1%

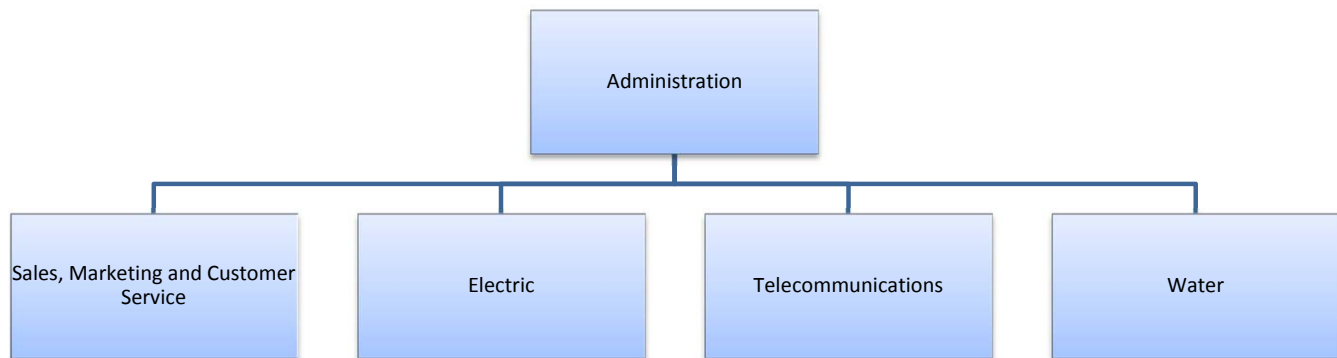
KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Revenue Summary by Utility

All KPU Revenues	Actual	2018			2019 Budget	2017 Adopted/2018	
		Adopted	Amended	Estimate		Incr(Decr)	%
Operating Revenues							
Electric	18,814,122	18,497,900	18,880,300	18,842,891	19,256,000	758,100	4.1%
Telecommunications	19,809,435	19,947,000	19,947,000	20,747,940	18,738,000	(1,209,000)	-6.1%
Water	3,883,075	4,136,000	4,136,000	4,144,000	4,428,000	292,000	7.1%
Other	122,475	140,000	140,000	310,000	458,000	318,000	227.1%
	42,629,107	42,720,900	43,103,300	44,044,831	42,880,000	159,100	0.4%
Nonoperating Revenues							
Electric	-	-	-	-	-	-	NA
Telecommunications	-	-	-	-	5,010,000	5,010,000	NA
Water	-	1,000,000	1,000,000	-	2,842,000	1,842,000	New
Other	-	-	-	-	-	-	NA
	-	1,000,000	1,000,000	-	7,852,000	6,852,000	New
Total Revenue - All Divisions	42,629,107	43,720,900	44,103,300	44,044,831	50,732,000	7,011,100	16.0%

CITY OF KETCHIKAN
2019 Operating and Capital Budget
General Manager

Summary

The General Manager's Office serves as the chief executive of Ketchikan Public Utilities. The office oversees the daily operation of four (4) divisions that have a combined annual budget of \$56.4 million.



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

DEPARTMENT EXECUTIVE SUMMARY

Divisions/Cost Center/Programs	2017	2018 Budget			2019	2018 Adopted/2019	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operations	380,202	401,963	409,463	359,243	378,577	(23,386)	-5.8%
Capital Improvement Program	4,630	20,000	20,000	-	20,000	-	0.0%
Total	384,832	421,963	429,463	359,243	398,577	(23,386)	-5.5%

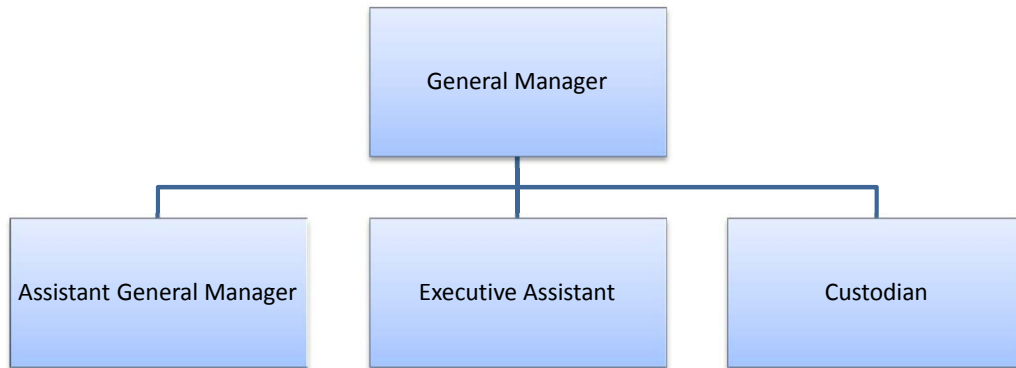
Expenditures by Category	2017	2018 Budget			2019	2018 Adopted/2019	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	367,215	379,463	376,491	326,530	356,722	(22,741)	-6.0%
Supplies	3,228	5,275	12,555	12,555	5,275	-	0.0%
Contract/Purchased Services	7,542	12,425	13,525	13,325	12,425	-	0.0%
Minor Capital Outlay	212	1,550	3,542	3,493	525	(1,025)	-66.1%
Interdept'l Charges/Reimbursable Credits	2,005	3,250	3,350	3,340	3,630	380	11.7%
Major Capital Outlay	4,630	20,000	20,000	-	20,000	-	0.0%
Total	384,832	421,963	429,463	359,243	398,577	(23,386)	-5.5%

Funding Source	2017	2018 Budget			2019	2018 Adopted/2019	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	384,832	421,963	429,463	359,243	398,577	(23,386)	-5.5%
Total	384,832	421,963	429,463	359,243	398,577	(23,386)	-5.5%

Personnel	2017	2018 Budget		2019		2018 Adopted/2019	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
Administration	2.50	2.50	2.50	2.50	223,477	-	0.0%
Total	2.50	2.50	2.50	2.50	223,477	-	0.0%

MISSION STATEMENT

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



GOALS FOR 2019

- 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 2019 Ketchikan Public Utilities Operating and Capital Budget.
- Continue management oversight of General Government.
- Coordinate and improve citizen participation and public information efforts.
- Coordinate and improve employee outreach and recognition programs.
- Strengthen employee focus on customer service and improvement of all Utility programs and services.
- Encourage team building among staff.
- Work with the division managers, in order to move forward with City Council approved Capital Improvement Programs.
- Work with the Southeast Alaska Power Agency (SEAPA) to transition the Operations & Maintenance responsibilities for the Swan Lake Hydroelectric Project from Ketchikan Public Utilities to SEAPA.
- Continue to work with Telecommunications Division Management to plan, fund and construct an undersea fiber link from Ketchikan to Prince Rupert, British Columbia, in order to meet customer bandwidth demands.

CITY OF KETCHIKAN
2019 Operating and Capital Budget
General Manager

Administration 5100

- Work with Alaska Department of Environmental Conservation, in order to resolve ongoing issues associated with higher than permitted disinfection byproducts and excessive coliforms in the raw water supply. Ensure that the Utility meets all the terms and conditions of its Compliance Order by Consent.
- Work with Water Division and Public Works Department management, in order to complete the deployment of water meters for all commercial water and wastewater utility customers.
- Prepare the draft 2020 Ketchikan Public Utilities Operating and Capital Budget. Evaluate traditional service delivery in light of continued reductions to state programs and/or direct assistance to municipalities.

ACCOMPLISHMENTS FOR 2018

- Continued management and oversight of General Government.
- Submitted the draft 2019 Ketchikan Public Utilities Operating and Capital Budget to the City Council for formal consideration and adoption.
- Served on the Board of Directors of the Southeast Alaska Power Agency.
- Concluded negotiations with Southeast Alaska Power Agency (SEAPA) to amend the Whitman Lake Hydroelectric Project True-Up Agreement. The revised agreement was approved by the City Council on June 21, 2018.
- Initiated discussions with the Southeast Alaska Power Agency (SEAPA) to transition the Operations & Maintenance responsibilities for the Swan Lake Hydroelectric Project from Ketchikan Public Utilities to SEAPA.
- Worked with Telecommunications Division Management to initiate planning efforts for the construction of an undersea fiber link from Ketchikan to Prince Rupert, British Columbia to meet customer bandwidth demands.
- Worked with Water Division and Public Works Department management, in order to begin the deployment of water meters for all commercial water and wastewater utility customers.
- Continued to participate as staff to the Ketchikan Gateway Borough/City of Ketchikan Cooperative Relations, Lobbying Executive and Legislative Liaison Committees.
- Continued to update and keep current the General Government and Ketchikan Public Utilities' website.

DIVISION SUMMARY

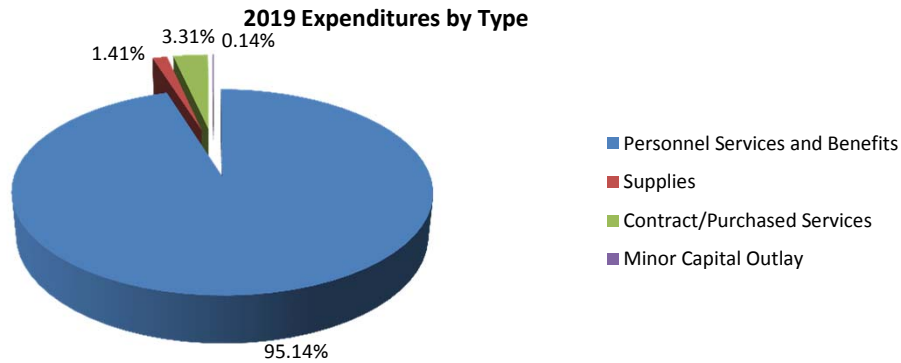
Expenditures by Category	2017 Actual	2018 Budget			2019 Budget	2018 Adopted/2019	
		Adopted	Amended	Estimate		Incr(Decr)	%
Personnel Services and Benefits	367,215	379,463	376,491	326,530	356,722	(22,741)	-6.0%
Supplies	3,228	5,275	12,555	12,555	5,275	-	0.0%
Contract/Purchased Services	7,542	12,425	13,525	13,325	12,425	-	0.0%
Minor Capital Outlay	212	1,550	3,542	3,493	525	(1,025)	-66.1%
Interdept' Charges/Reimbursable Credits	2,005	3,250	3,350	3,340	3,630	380	11.7%
Total	380,202	401,963	409,463	359,243	378,577	(23,386)	-5.8%

Funding Source	2017 Actual	2018 Budget			2019 Budget	2018 Adopted/2019	
		Adopted	Amended	Estimate		Incr(Decr)	%
Ketchikan Enterprise Fund	380,202	401,963	409,463	359,243	378,577	(23,386)	-5.8%
Total	380,202	401,963	409,463	359,243	378,577	(23,386)	-5.8%

CITY OF KETCHIKAN
2019 Operating and Capital Budget
General Manager

Administration 5100

Personnel	2017 Actual	2018 Budget		2019		2018 Adopted/2019	
		Adopted	Amended	Budget	Salary	Incr(Decr)	%
General Manager	0.50	0.50	0.50	0.50	97,789	-	0.0%
Assistant General Manager	0.50	0.50	0.50	0.50	55,813	-	0.0%
Executive Assistant	0.50	0.50	0.50	0.50	31,623	-	0.0%
Custodian	1.00	1.00	1.00	1.00	38,252	-	0.0%
Total	2.50	2.50	2.50	2.50	223,477	-	0.0%



OPERATING BUDGET CHANGES FOR 2019

Changes between the adopted operating budget for 2018 and the proposed operating budget for 2019 that are greater than 5% and \$5,000 are discussed below:

- Personnel Services and Benefits decreased by \$22,741, or by 6.0%, due to a change in the method of allocating the cost of personnel between the City Manager Department and the KPU General Manager Division. The costs are now being allocated equally, which resulted in less cost being allocated to the KPU General Manager Division. The decrease was partially offset by annual employee step increases; a 2% cost of living adjustment for represented and non-represented employees that will become effective January 1, 2019; and projected increases in employee health insurance premiums.

Operating Expenditures	2017 Actual	2018 Budget			2019 Budget	2018 Adopted/2019	
		Adopted	Amended	Estimate		Incr(Decr)	%
Personnel Services and Benefits							
500. 01 Regular Salaries and Wages	238,096	241,423	238,451	206,000	223,477	(17,946)	-7.4%
501. 01 Overtime Wages	132	2,000	2,000	2,000	2,000	-	0.0%
502. 01 Temporary Wages	-	2,000	2,000	2,000	2,000	-	0.0%
505. 00 Payroll Taxes	15,788	18,780	18,780	16,100	17,400	(1,380)	-7.3%
506. 00 Pension	49,570	51,700	51,700	43,370	47,640	(4,060)	-7.9%
507. 00 Health and Life Insurance	53,873	55,740	55,740	50,460	57,140	1,400	2.5%
507. 30 Workers Compensation	2,739	3,000	3,000	1,780	2,805	(195)	-6.5%
508. 00 Other Benefits	6,682	4,520	4,520	4,520	3,960	(560)	-12.4%
509. 10 Allowances-Add'l Life Benefit	335	300	300	300	300	-	0.0%
Personnel Services and Benefits	367,215	379,463	376,491	326,530	356,722	(22,741)	-6.0%

CITY OF KETCHIKAN
2019 Operating and Capital Budget
General Manager

Administration 5100

Operating Expenditures	2017 Actual	2018 Budget			2019 Budget	2018 Adopted/2019		
		Adopted	Amended	Estimate		Incr(Decr)	%	
Supplies								
510. 01	Office Supplies	595	750	1,100	1,100	750	-	0.0%
510. 04	Janitorial Supplies	2,330	2,500	2,500	2,500	2,500	-	0.0%
515. 01	Vehicle Maintenance Materials	-	300	300	300	300	-	0.0%
520. 02	Postage	35	100	100	100	100	-	0.0%
525. 04	Motor Vehicle Fuel & Lubricants	268	625	625	625	625	-	0.0%
535. 01	Moving Expenses	-	-	7,500	7,500	-	-	NA
535. 02	Business and Meal Expenses	-	1,000	430	430	1,000	-	0.0%
	Supplies	3,228	5,275	12,555	12,555	5,275	-	0.0%
Contract/Purchased Services								
600. 01	Travel-Business	5,447	6,875	6,875	6,875	6,875	-	0.0%
605. 01	Advertising & Public Announcements	-	-	1,100	900	-	-	NA
605. 02	Marketing	-	250	250	250	250	-	0.0%
615. 02	Assn Membership Fees & Dues	836	1,250	1,250	1,250	1,250	-	0.0%
630. 02	Vehicle Licenses	20	50	50	50	50	-	0.0%
635. 07	Machinery & Equip Maint Services	-	1,900	1,900	1,900	1,900	-	0.0%
635. 12	Technical Services	-	100	100	100	100	-	0.0%
650. 01	Telecommunications	1,239	2,000	2,000	2,000	2,000	-	0.0%
	Contract/Purchased Services	7,542	12,425	13,525	13,325	12,425	-	0.0%
Minor Capital Outlay								
790. 15	Furniture & Fixtures	-	525	2,297	2,297	525	-	0.0%
790. 26	Computers, Printers & Copiers	212	1,025	1,245	1,196	-	(1,025)	-100.0%
	Minor Capital Outlay	212	1,550	3,542	3,493	525	(1,025)	-66.1%
Interdepartmental Charges								
825. 01	Interdept'l Charges-Insurance	2,005	3,250	3,350	3,340	3,630	380	11.7%
	Interdepartmental Charges	2,005	3,250	3,350	3,340	3,630	380	11.7%
Total Expenditures by Type		380,202	401,963	409,463	359,243	378,577	(23,386)	-5.8%

NARRATIVE

500.01 Regular Salaries and Wages: \$223,477 – This account provides for the cost of the annual salaries paid to the employees of the General Manager's Office.

501.01 Overtime Wages: \$2,000 – This account provides 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 for the compensation paid for temporary secretarial/clerical help for those occasions when the Executive Assistant is absent or for additional hours worked when workloads are unusually heavy.

505.00 Payroll Taxes: \$17,400 – This account provides for employer contributions to Social Security and Medicare and other similar payroll taxes.

506.00 Pension: \$47,640 – This account provides for employer contributions to retirement plans.

507.00 Health and Life Insurance: \$57,140 – This account provides for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation: \$2,805 – This account provides for employer contributions to workers compensation.

508.00 Other Benefits: \$3,960 – This account provides for expenditures for direct claims from former employees for unemployment benefits paid by the State of Alaska and accrued vacation and sick leave.

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

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

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

515.01 Vehicle Maintenance Materials: \$300 – This account provides for the cost associated with the materials to maintain the department's vehicle.

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

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

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

600.01 Travel-Business: \$6,875 – This account provides for the cost associated with the business travel by the General Manager and office staff.

605.02 Advertising and Public Announcements: \$250 – This account provides for public notice and classified advertising expenses.

615.02 Assn. Membership Fees & Dues: \$1,250 – This account provides 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 for expenditures for licensing City vehicles for operations on public highways.

635.07 Machinery & Equipment Maintenance Services: \$1,900 – This account provides for routine and non-routine maintenance associated with equipment located in the 3rd and 4th floor copier rooms and KPU's share of the City and KPU's anticipated website maintenance.

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

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

790.15 Furniture & Fixtures: \$525 – This account provides for the cost of office equipment and furniture. Included in this account is one-half the cost of a new office chair for the General Manager.

825.01 Interdepartmental Charges-Insurance: \$3,630 – This account provides for the cost for risk management services.

CITY OF KETCHIKAN
2019 Operating and Capital Budget
General Manager

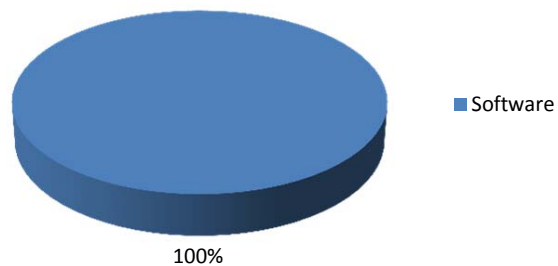
Capital Budget

Major Capital Outlay	2017 Actual	2018 Budget			2019 Budget	2018 Adopted/2019	
		Adopted	Amended	Estimate		Incr(Decr)	%
735-00 Software	4,630	20,000	20,000	-	20,000	-	0.0%
Total Major Capital Outlay	4,630	20,000	20,000	-	20,000	-	0.0%

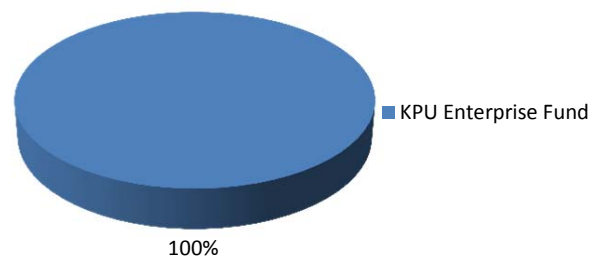
Capital Improvement Projects		Funding Sources		Total
		KPU Enterprise Fund		
Project #	Project			

735-00 Software				
	Financial & Accounting Info System Replacement	20,000	-	20,000
	Total Software	20,000	-	20,000
	Total Capital Budget	20,000	-	20,000

Expenditures by Type

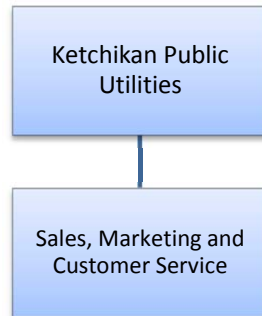


Expenditures by Funding Source



KETCHIKAN PUBLIC UTILITIES**2019 Operating and Capital Budget****Sales, Marketing and Customer Service****Summary**

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

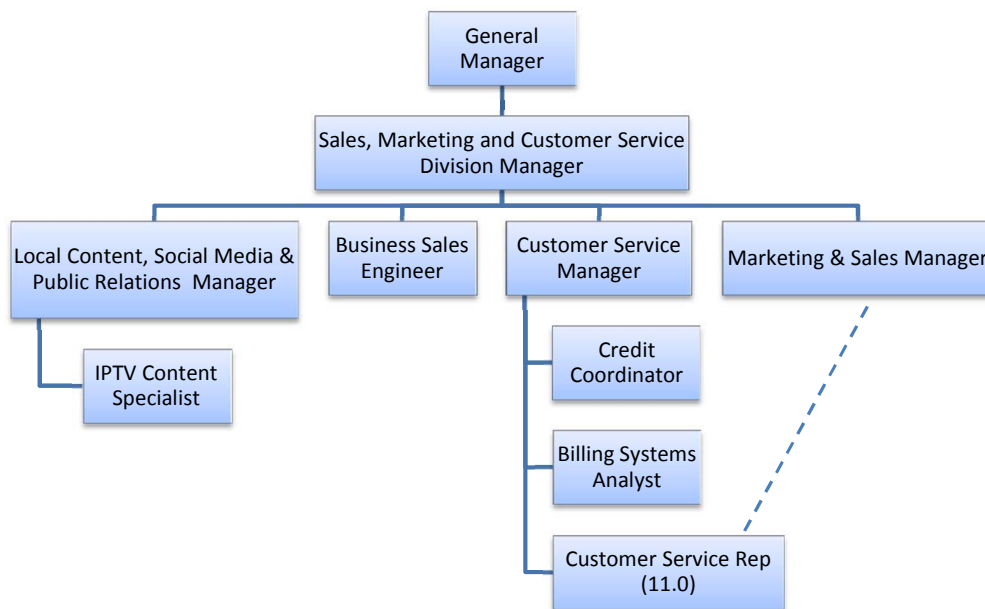


KPU Sales, Marketing and Customer Service is comprised of one operating division.

DEPARTMENT EXECUTIVE SUMMARY							
Divisions/Cost Center/Programs	2017	2018 Budget			2019	2018 Adopted/2019	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operations	2,441,160	2,661,330	2,661,330	2,642,292	2,830,773	169,443	6.4%
Total	2,441,160	2,661,330	2,661,330	2,642,292	2,830,773	169,443	6.4%
Expenditures by Category	2017	2018 Budget			2019	2018 Adopted/2019	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	1,582,445	1,843,602	1,775,602	1,767,210	1,950,100	106,498	5.8%
Supplies	101,726	89,250	93,250	91,964	96,750	7,500	8.4%
Contract/Purchased Services	709,576	686,158	735,158	725,889	740,403	54,245	7.9%
Minor Capital Outlay	39,149	28,900	42,500	42,449	27,400	(1,500)	-5.2%
Interdepartmental Charges-Insurance	8,264	13,420	14,820	14,780	16,120	2,700	20.1%
Total	2,441,160	2,661,330	2,661,330	2,642,292	2,830,773	169,443	6.4%
Funding Source	2017	2018 Budget			2019	2018 Adopted/2019	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	2,441,160	2,661,330	2,661,330	2,642,292	2,830,773	169,443	6.4%
Total	2,441,160	2,661,330	2,661,330	2,642,292	2,830,773	169,443	6.4%
Full-time Equivalent Personnel	2017	2018 Budget		2019		2018 Adopted/2019	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
Operations	19.00	19.00	19.00	19.00	1,080,720	-	0.0%
Total	19.00	19.00	19.00	19.00	1,080,720	-	0.0%

MISSION STATEMENT

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



GOALS FOR 2019

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

- Continue to freshen local content by rotating hosts and by reworking production of annual events so that the events appear different year-to-year.
- Expand VOD content to include series and shows from networks in addition to existing movie assortment.
- Continue to utilize social media as key marketing product; tie efforts to the website and Internet click through advertising as a unified digital marketing presence.
- Sustain sales culture in Customer Service Representatives (CSRs) by preserving weekly “team huddle” meetings to review successes/misses in addition to current call coaching. Utilize additional employee rewards such as personal notes and recognition in addition to sales incentives to keep staff motivated.
- Utilize Pivot Recruitment Solutions consultants to ensure staff is equipped with appropriate sales skills prior to hire/post hire.
- Continue to identify process improvements in New World electrical billing system to streamline work to allow CSRs to focus on Telecommunications and Verizon Wireless sales.

ACCOMPLISHMENTS FOR 2018

- Successfully continued to sell Verizon branded cellular equipment and to provide technical assistance to local Verizon customers as well as to seasonal visitors. Sales were 26% higher in 2018 than in 2017. Staff sold a minimum of one phone, up to 10 phones per day, and upgraded and assisted a minimum of four customers per day, up to 20 customers per day.
- Year to date 2018, KPU has achieved growth in the following categories; +3% in Internet sales, and +128% in people opting for unlimited data. KPU staff were able to upgrade more than half of the customers to the higher speeds that allow faster streaming and gaming. These sustained sales are attributable to the Sales, Marketing and Customer Service Division’s sales-oriented culture, the emphasis on customer service and the awareness and responsiveness of the division to customer wants and needs.
- Achieved a +3% growth in Hosted VOIP phone system sales in an already strong market. KPU’s hosted phone system is a powerful, cutting edge phone system that can be deployed in very small to extraordinarily large businesses. Selling hosted phone systems is a key strategic initiative, ensuring long-term retention of KPU’s critical business customers. In 2018, the team engineered the ability to deliver the hosted service over satellite to connect a distant business location to an on-island site. The business teams were also able to engineer a Code Red button to allow the local law enforcement agencies to be contacted during the event of an active shooter in the schools.
- Successfully continued to sell Hosted Wi-Fi services and Hosted Data Center services to the business community in addition to hosted phone services. Sales increased 50% in 2018. Additionally, KPU installed hosted cameras for City departments. Like Hosted VOIP, this allows businesses to focus on running their business vs. managing their network. Customers have been added each month since the launch.
- The Business Sales Engineer continued to sign long-term agreements with strategic business customers as well as small business owners. Combined with the division’s Hosted IP, dedicated business staff and business service offerings, this has helped to preserve KPU’s business line penetration at more than 85% of the business market. The Marketing Managers coordinated and managed more than 50 complex phone and local area circuit/network jobs for businesses in the community including two emergency phone system installations. They were all completed in a timely and accurate manner, without disruption of business.
- KPU Marketing successfully managed the media plan when KPU was forced by networks to convert Fox and ABC TV from Seattle to Alaska stations. This conversion also required the channel numbers to be changed. The conversion communication was managed through a direct mail letter and new channel line up to all KPUtv customers, through social media postings, and by on-screen notifications on the channels. Customer impact was minimal.
- Morgan Weber of Portland, OR was appointed to the position of Marketing & Sales Manager on September 20, 2018 following the resignation of Hooman Shad on June 15, 2018.

- Increased KPU branded long distance subscribers by 9% in 2018. Continued growth comes from the addition of Unlimited Long Distance for Business. One of the strengths of KPU's LD is its redundant path off-island, which was created in 2015. If microwave connectivity fails, the path reverts to the fiber path. Other carriers are unable to match this redundancy. Consolidated billing also makes this attractive.
- KPU's Watch TV Everywhere, which is free to KPU TV subscribers is actively sold as part of KPU's TV service. Now more than 30% of subscribers use the streaming service. Customers may stream more than 100 live and new TV programs on computers, tablets and smartphones using their KPUtv cable account. Disney remains the most popular in the summer, with ESPN, Fox Sports, and NFL expected to be the most popular in the fall.
- KPU Sales and Marketing continued on a monthly basis to update the KPU Telecommunications website, www.kputel.com, to keep the site fresh. Search Engine Optimization was improved on the site in 2018, the mobile version of the site was improved and updated and ADA compliance was audited and corrected for the KPU site.
- The division produced a new series of 30 second TV ads branding KPU as the local provider, to add to the existing Unlimited Internet and Flex TV ads. KPU also produced a version of Tide Flat Legends which uses KPU's Baseball on the Thomas Basin Tide flat audio partnered with Ketchikan Museum's archive sport photos as a 60-second commercial. KPU continues to utilize CBS SE TV as well as ABC and Fox Football placement for TV advertising. The spots run during prime-time and sporting events. The ads are visible to GCI, satellite and KPU customers.
- The Video Production and PR Manager, Alexandra Brown, completed testing and certification for drone use and also participated in a local conference regarding regulations in the use of drones. The KPU drone was immediately put into use enhancing KPU's video production. Its footage was featured whenever legal and possible in outdoor filming.
- KPUtv released "Hooked" a documentary on the meth and opioid epidemic in Ketchikan and Southeast Alaska, after three years of work. The documentary features convicted dealers, interviews with groups who help with recovery, state troopers, Judge Stephens, and former users who bravely came forward and agreed to be interviewed. The intent is to make the film available to health and education organizations after being released, so that the message can be shared.
- The Video Production and PR Manager also assisted the Ketchikan Police Department in producing their Lip Sync Challenge for the national Facebook challenge. KPUtv filmed and choreographed the piece as well as completed editing. The video has been viewed more than 249,000 times and was featured in the *Huffington Post's* top 20.
- KPUtv hosted the first Annual Ketchikan Film Festival. Over 1,700 entries were submitted; the top 17 were selected to be shown at a public event. The selectees were primarily locally produced films centered on Ketchikan and Alaska, but not all. They ranged from animation to documentaries to drone footage. Several had custom music. The event was very well attended and KPU was able to utilize some of the films on its local channel so the general public could see them, if they missed the event.
- KPUtv officially launched "Catch the Feeling: a Ketchikan Story" anthem on social media, YouTube and KPUtv. This piece is a Ketchikan-centric music video featuring exclusive customer music written for and owned by KPU. The music celebrates the community of Ketchikan vs. naming KPU itself. The video featured joyous images of Ketchikan and community events pulled from the KPUtv archives. The video was viewed more than 40,000 times on Facebook and YouTube.
- KPU Marketing, the Business Engineer and KPUtv joined together to host the first annual Gaming Tournament. The event was held on June 18, 2018 and awareness of KPU's superior internet service to Millennials and younger customers. The tournament was filled to capacity and many other people showed up to watch the squads compete. KPU successfully set up a live stream of four of the players with play by play on the KPU Live in Ketchikan YouTube channel. The event caused a very positive buzz.
- Marketing and Customer Service completed testing on the online Telecommunications Portal that will allow customers to receive email notifications of their monthly bills, make online payments and update their own recurring credit card.
- The KPU Sales, Marketing and Customer Service Division received the Customer Service award from Pivot Group, which was in recognition of KPU receiving scores of 90% or higher for customer service from KPU customers in both sales, installs, and repairs. This was a national award and was a great honor for all of KPU.

KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Sales, Marketing and Customer Service

Operations 5110

- KPU Marketing was recognized in the Ketchikan Daily News in 2018 for KPU's service to the community in the way that state and local outages/events are communicated and handled via Social Media. Facebook is a key tool for communicating with customers regarding KPU's image, products, 'presence' and approachability. It is a major advertising medium for sales promotions. Ads can be targeted to a specific group of customers and is very affordable when compared to other types of advertising. Staff maintains four specific Facebook pages:

KPU/Live in Ketchikan: KPUtv's local TV programming and events.

KPU Telecommunications: Promotes/advertises KPU Telecommunications services, educates, entertains and informs the public on technology, scams, and articles of interest. Also promotes local KPU business partners and local events.

KPU Electric: To promote energy conservation, share energy news, alert the public of outages, and create an 'approachable' image.

City of Ketchikan: To inform the public of local news, public service announcements and happenings in and around the City

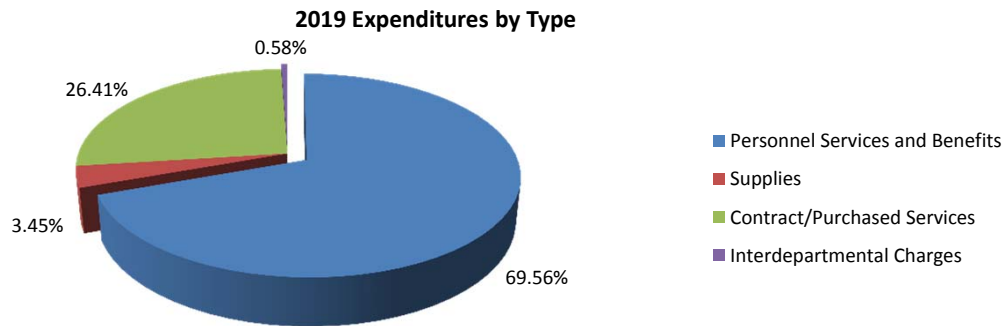
Facebook allows staff to immediately reply to customers, assist with technical questions, post public information regarding utility outages and other service disruptions, address service issues and introduce/sell products. The regular use of this media has led to increased sales of services, winbacks from the competitors and has saved many potential lost customers. KPU posted employee spotlights in 2018 to bring awareness to KPU's employees as community members. KPU has also begun to do live-streaming events via Facebook.

DIVISION SUMMARY

Expenditures by Category	2017 Actual	2018 Budget			2019 Budget	2018 Adopted/2019	
		Adopted	Amended	Estimate		Incr(Decr)	%
Personnel Services and Benefits	1,582,445	1,843,602	1,775,602	1,767,210	1,950,100	106,498	5.8%
Supplies	101,726	89,250	93,250	91,964	96,750	7,500	8.4%
Contract/Purchased Services	709,576	686,158	735,158	725,889	740,403	54,245	7.9%
Minor Capital Outlay	39,149	28,900	42,500	42,449	27,400	(1,500)	-5.2%
Interdepartmental Charges	8,264	13,420	14,820	14,780	16,120	2,700	20.1%
Total Expenditures	2,441,160	2,661,330	2,661,330	2,642,292	2,830,773	169,443	6.4%

Funding Source	2017 Actual	2018 Budget			2019 Budget	2018 Adopted/2019	
		Adopted	Amended	Estimate		Incr(Decr)	%
KPU Enterprise Fund	2,441,160	2,661,330	2,661,330	2,642,292	2,830,773	169,443	6.4%
Total Funding	2,441,160	2,661,330	2,661,330	2,642,292	2,830,773	169,443	6.4%

Full-time Equivalent Personnel	2017 Actual	2018 Budget		2019		2018 Adopted/2019	
		Adopted	Amended	Budget	Salary	Incr(Decr)	%
SM & CS Manager	1.00	1.00	1.00	1.00	106,284	-	0.0%
Business Sales Engineer	1.00	1.00	1.00	1.00	67,115	-	0.0%
Marketing & Sales Manager	1.00	1.00	1.00	1.00	66,484	-	0.0%
Local Content, Social Media & PR Manager	1.00	1.00	1.00	1.00	66,484	-	0.0%
Customer Service Manager	1.00	1.00	1.00	1.00	79,058	-	0.0%
IPTV Content Specialist/Marketing Rep	1.00	1.00	1.00	1.00	65,354	-	0.0%
Credit Coordinator	1.00	1.00	1.00	1.00	62,067	-	0.0%
Billing System Analyst	1.00	1.00	1.00	1.00	59,153	-	0.0%
Customer Sales Rep III	4.00	4.00	4.00	4.00	201,597	-	0.0%
Customer Sales Rep II	6.00	6.00	6.00	6.00	265,844	-	0.0%
Customer Sales Rep I	1.00	1.00	1.00	1.00	41,280	-	0.0%
Total	19.00	19.00	19.00	19.00	1,080,720	-	0.0%



OPERATING BUDGET CHANGES FOR 2019

Changes between the adopted operating budget for 2018 and the proposed operating budget for 2019 that are greater than 5% and \$5,000 are discussed below.

- Personnel Services and Benefits increased by \$106,498 or by 5.8%, due the addition of a summer Intern to assist with multi-camera work and production during the busy summer period; increase in overtime to more closely approximate the actual expense from the past 4 years; annual employee step increases; a 2.0% cost of living adjustment for represented and non-represented employees that will become effective January 1, 2019; and projected increases in employee health insurance premiums.
- Bank and Merchant Charges (Account No. 630.03) increase by \$25,000, or by 14.7%, due more customers using credit cards to pay their utility bills. Since August 2016, sales transactions paid by credit cards have increased by 22.6%. In addition, the payment card companies, such as VISA and MasterCard, have also raised some of their fees.
- Technical Services (Account No. 635.12) increased by \$10,900, or by 43.6%, due to the addition of Nixle alert, storage required for social media archive, panic alarm monitoring expenditures, increase in Verizon IQ POS system expenditures, increase in SEO and Webhost expenditures, and the addition of call recording review expenditures. This more closely equals 2017 actual and 2018 projected expenditures.
- Management and Consulting Services (Account No. 640.04) increased by \$16,200, or by 17.1%, due to increased OSG Electric and Telecom bill expenditures; the addition of OSG Mail envelope tracking; and the additional required video editor expenditures for advertising and social media video production. This increase is closer to 2017 actual expenditures and what is projected for 2018 expenditures.
- Rents and Leases (Account No. 645.01) increased by \$6,775 or by 6.9%, due to expanded space in the Plaza Mall and annual contracted lease increase.

KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Sales, Marketing and Customer Service

Operations 5110

DIVISION OPERATING BUDGET DETAIL									
Operating Expenditures			2017	2018 Budget			2019	2018 Adopted/2019	
			Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits									
500	.01	Regular Salaries and Wages	871,123	1,032,602	984,952	984,370	1,080,720	48,118	4.7%
501	.01	Overtime Wages	36,651	15,000	24,500	24,250	28,000	13,000	86.7%
502	.01	Temporary Wages	13,354	11,000	11,400	11,310	20,600	9,600	87.3%
505	.00	Payroll Taxes	70,384	80,990	78,490	78,030	86,390	5,400	6.7%
506	.00	Pension	195,154	245,360	225,360	222,650	255,640	10,280	4.2%
507	.00	Health and Life Insurance	356,354	405,270	391,170	390,320	426,330	21,060	5.2%
507	.30	Workers Compensation	4,804	5,030	5,030	4,580	4,150	(880)	-17.5%
508	.00	Other Benefits	7,573	19,350	25,700	25,700	19,270	(80)	-0.4%
509	.09	Incentive Pay	27,048	28,000	28,000	25,000	28,000	-	0.0%
509	.12	Allowances-Vehicles	-	1,000	1,000	1,000	1,000	-	0.0%
Personnel Services and Benefits			1,582,445	1,843,602	1,775,602	1,767,210	1,950,100	106,498	5.8%
Supplies									
510	.01	Office Supplies	17,497	13,000	17,000	16,684	17,000	4,000	30.8%
510	.02	Operating Supplies	11,835	10,000	10,000	10,000	10,000	-	0.0%
510	.03	Safety Program Supplies	-	200	200	200	200	-	0.0%
510	.04	Janitorial Supplies	1,021	1,200	1,200	1,000	1,200	-	0.0%
510	.07	Food & Catering	260	-	-	-	-	-	NA
515	.01	Vehicle Maintenance Materials	-	1,000	1,000	1,000	1,000	-	0.0%
520	.01	Express Postage	7	250	250	250	250	-	0.0%
520	.02	Postage	3,803	2,500	2,500	2,200	3,000	500	20.0%
520	.03	Bulk Mailing	56,551	56,000	56,000	56,000	59,000	3,000	5.4%
525	.04	Vehicle Motor Fuel & Lubricants	-	500	500	330	500	-	0.0%
530	.02	Periodicals	220	300	300	-	300	-	0.0%
530	.03	Professional & Technical Publications	155	300	300	300	300	-	0.0%
535	.02	Allowances-Business and Meal Expense	1,405	1,000	1,000	1,000	1,000	-	0.0%
535	.04	Allowances-Uniforms/Clothing/Badges	8,972	3,000	3,000	3,000	3,000	-	0.0%
Supplies			101,726	89,250	93,250	91,964	96,750	7,500	8.4%
Contract/Purchased Services									
600	.01	Travel-Business	9,791	13,000	13,000	11,000	13,000	-	0.0%
600	.02	Travel-Training	9,552	4,000	4,000	2,400	4,000	-	0.0%
600	.03	Travel-Training and Education	10,158	15,000	15,000	13,928	15,000	-	0.0%
605	.01	Ads & Public Announcements	2,351	1,500	4,100	4,099	1,500	-	0.0%
605	.02	Marketing	210,495	176,000	174,600	174,000	176,000	-	0.0%
605	.03	Printing and Binding	16,616	15,000	15,000	14,000	15,000	-	0.0%
610	.01	Community Promotion	3,605	6,000	6,000	5,100	6,000	-	0.0%
615	.02	Assn. Membership Dues & Fees	400	1,400	1,400	1,300	1,400	-	0.0%
630	.02	Vehicle Licenses	-	20	20	20	20	-	0.0%
630	.03	Bank and Merchant Charges	165,077	170,000	195,000	195,000	195,000	25,000	14.7%
630	.04	Broadcast Content Fees	2,565	2,600	3,900	3,846	2,600	-	0.0%
635	.02	Janitorial & Cleaning Services	7,237	7,200	7,200	7,200	7,200	-	0.0%
635	.07	Machinery & Equipment Maint Services	1,897	2,600	2,600	2,600	2,600	-	0.0%
635	.12	Technical Services	34,184	25,000	32,000	31,513	35,900	10,900	43.6%
635	.14	Other Contractual Services	3,252	10,000	6,000	6,000	6,000	(4,000)	-40.0%
640	.04	Management & Consulting Services	102,740	95,000	110,000	109,364	111,200	16,200	17.1%
645	.01	Rents and Leases-Land & Buildings	89,509	98,508	102,008	101,819	105,283	6,775	6.9%
645	.02	Rents and Leases-Machinery & Equip	-	700	700	700	700	-	0.0%
650	.01	Telecommunications	34,898	36,000	36,000	36,000	36,000	-	0.0%
650	.02	Electric, Water, Sewer & Solid Waste	5,249	6,630	6,630	6,000	6,000	(630)	-9.5%
Contract/Purchased Services			709,576	686,158	735,158	725,889	740,403	34,508	7.9%

KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Sales, Marketing and Customer Service

Operations 5110

Operating Expenditures			2017	2018 Budget			2019	2018 Adopted/2019	
			Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Minor Capital Outlay									
790	.15	Furniture and Fixtures	14,718	10,400	18,000	17,949	10,400	-	0.0%
790	.25	Machinery & Equipment	11,710	9,000	15,000	15,000	9,000	-	0.0%
790	.26	Computers, Printers & Copiers	12,187	9,000	9,000	9,000	7,500	(1,500)	-16.7%
790	.35	Software	534	500	500	500	500	-	0.0%
Minor Capital Outlay			39,149	28,900	42,500	42,449	27,400	(1,500)	-5.2%
Interdepartmental Charges									
825	.01	Interdepartmental Charges-Insurance	8,264	13,420	14,820	14,780	16,120	2,700	20.1%
Interdepartmental Charges			8,264	13,420	14,820	14,780	16,120	2,700	20.1%
Total Expenditures by Type			2,441,160	2,661,330	2,661,330	2,642,292	2,830,773	169,443	6.4%

NARRATIVE

500.01 Regular Salaries and Wages: \$1,080,720 – This account provides for compensation paid to all regular salaried and hourly employees of the Sales, Marketing and Customer Service Division.

501.01 Overtime Wages: \$28,000 - This account provides for compensation paid to all hourly employees for hours worked in excess of a regular working cycle or beyond the hours listed in the bargaining agreement. Includes after hours filming, Verizon required training done before hours, and regularly scheduled OT due to mall hours.

502.01 Temporary Wages: \$20,600– This account provides 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. This also provides \$9,960 for a Summer Intern to assist with multi-camera work and production planning.

505.00 Payroll Taxes: \$86,390 – This account provides for employer contributions for Social Security and Medicare and other similar payroll related taxes.

506.00 Pension: \$255,640– This account provides for employer contributions to retirement plans.

507.00 Health and Life Insurance: \$426,330 – This account provides for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation: \$4,150 – This account provides for employer contributions to workers compensation.

508.00 Other Benefits: \$19,270 – This account provides for expenditures for direct claims from former employees for unemployment benefits paid by the State of Alaska and accrued vacation and sick leave.

509.09 Allowances - Incentive Pay: \$28,000 - This account provides for employee incentive and suggestion programs. Specifically this refers to the Upgrade Sales Incentive Program for CSRs I, II and III for add-on sales and Verizon Wireless sales. OSP Techs have also begun to upsell services when on-site, making them also eligible for the program.

509.12 Allowances – Vehicles: \$1,000 – This account provides for an allowance for employees use of personal vehicles while on official KPU business. These benefits are taxable to employees. This was new for 2015 to allow for the retirement of two SM &CS vehicles that are now inoperable. Rather than incur expense for replacement cars, employees can be reimbursed for use of a personal vehicle for KPU business.

510.01 Office Supplies: \$17,000 - This account provides 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.

510.02 Operating Supplies: \$10,000 - This account provides for supplies that are normally not of a maintenance nature and are required to support division operations. Included are supplies such as credit forms, letterhead, envelopes, adjustment forms, deposit slips, books, ink stamps, brochures, postage machinery, DVDs, terabytes, water, supplies for Celeb Chef, Outdoor Challenge, and other special programs, employee awards and recognition pins.

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

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

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

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

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

520.03 Bulk Mailing: \$59,000 - This account provides for bulk mailing of monthly bills and invoices for City and KPU services, brochures, mass public notices and other similar types of mailings.

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

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

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

535.02 Business and Meals Expense: \$1,000 – This provides for meal expenses incurred with vendors, at trade shows, recruitment meal expenses and employee award/recognition cakes, etc. It also provides for Chamber of Commerce monthly lunch tickets.

535.04 Allowances-Uniforms/Clothing/Badges: \$3,000 - This account provides for direct purchases of or reimbursements to employees for work related clothing required by department policies. Included are nameplates, name badges, KPU logowear for CSRs I, II and III. Also includes logo embroidery for other items such as hats, aprons, etc.

600.01 Travel-Business: \$13,000 – This account provides for transportation, lodging, meals, per diems and other incidental expenses associated with travel for business, trade and board meetings.

600.02 Travel-Training: \$4,000 - This account provides for transportation, lodging, meals, per diems and other incidental expenses associated with travel for CommSoft Annual training for the Billing Analyst and New World Annual Training for the Electric Billing CSR III.

600.03 Training and Education: \$15,000 – This account provides for registration fees, training fees, and training materials associated with training and educating employees and on-premises training programs provided by staff or a third-parties, such as Measure-X or Pivot.

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

605.02 Marketing and Advertising: \$176,000 - This account provides for advertising, image building and promotion in publications, newspapers, Internet, radio and TV broadcasts. Included are promotional KPU logo products and media. Production and design costs for the creation of ad and marketing materials are also included in this account.

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

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

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

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

630.03 Bank and Merchant Charges: \$195,000 – This account provides for monthly bank account service charges, merchant fees paid to banks for customer use of credit and debit cards and other fees for banking services.

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

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

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

635.12 Technical Services: \$35,900 - This account provides for services that are not regarded as professional but require technical or special knowledge. Included are CBC Innovis (credit reporting), Weather Central (weather channel server maintenance), PIVOT Webhosting, PIVOT Google SEO, Pivot Consulting, IQ/RQ Metrix Verizon POS, Computer HQ, Nixle Alert, social media archive storage, and Advanced Communications panic alarm.

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

640.04 Management and Consulting Services: \$111,200 - This account provides for management and consulting services. This refers to Pivot Group Quality Assurance, Hiring Solutions, independent film editors and OSG Billing Services (bill print vendor).

645.01 Rents and Leases - Land and Buildings: \$105,283 - This account provides for the lease of retail, production and storage space at the Plaza Mall for the Sales, Marketing and Customer Service Division.

645.02 Rents and Leases - Machinery & Equipment: \$700 - This account provides for the rent and lease of machinery and equipment, sports filming lifts and incidental equipment needed for exposition and events.

650.01 Telecommunications: \$36,000 - This account provides for telecommunication services. Included are charges for wired and wireless telecommunications services, cell phones, Internet, long distance and toll-free numbers and test cellular equipment for sale.

650.02 Electric, Water, Sewer & Solid Waste: \$6,000 - This account provides for electric, water, sewer and solid waste utility services.

790.15 Furniture & Fixtures: \$10,400 - This account provides for acquisition of furniture and fixtures. Included are desks, chairs, tables, workstations, file cabinets, storage cabinets and shelving. This is specifically for cubicle walls, desk, chairs, table and shelving for storage in the new location.

790.25 Machinery & Equipment: \$9,000 - This account provides for the acquisition, repair and replacement of filming equipment.

790.26 Computers, Printers & Copiers: \$7,500 - This account provides for the acquisition of desktop, laptops, and computers, copiers and fax machines. This is specifically for the replacement of 5 computers and one bill printer.

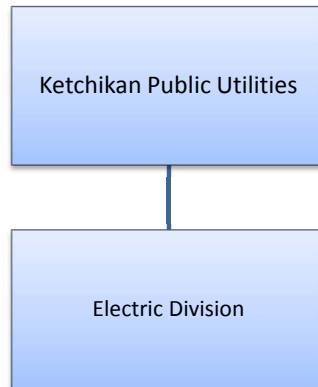
790.35 Software: \$500 - This account provides for acquisition of software systems and upgrades not covered by maintenance agreements.

825.01 Interdepartmental Charges-Insurance: \$16,120 - This account provides for the cost for risk management services.

KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Electric Division

Summary

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



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

DEPARTMENT EXECUTIVE SUMMARY

Divisions/Cost Center/Programs	2017	2018 Budget			2019	2018 Adopted/2019	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operations	16,667,047	17,351,247	17,797,158	17,636,509	18,363,418	1,012,171	5.8%
Capital Improvement Program	2,389,241	3,065,250	4,065,250	2,817,864	3,620,542	555,292	18.1%
Total	19,056,288	20,416,497	21,862,408	20,454,373	21,983,960	1,567,463	7.7%

Expenditures by Category	2017	2018 Budget			2019	2018 Adopted/2019	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	5,144,968	5,579,174	5,579,174	5,465,220	6,261,765	682,591	12.2%
Supplies	6,939,109	7,698,600	8,163,530	8,236,530	7,944,400	245,800	3.2%
Contract/Purchased Services	926,694	1,271,785	1,257,466	1,183,271	1,289,000	17,215	1.4%
Minor Capital Outlay	37,288	64,500	59,800	32,300	52,500	(12,000)	-18.6%
Interdepartmental Charges	1,036,121	1,210,870	1,210,870	1,192,870	1,291,010	80,140	6.6%
Debt Service	2,200,874	1,144,325	1,144,325	1,144,325	1,142,750	(1,575)	-0.1%
Other Costs	381,993	381,993	381,993	381,993	381,993	-	0.0%
Major Capital Outlay	2,389,241	3,065,250	4,065,250	2,817,864	3,620,542	555,292	18.1%
Total	19,056,288	20,416,497	21,862,408	20,454,373	21,983,960	1,567,463	7.7%

Funding Source	2017	2018 Budget			2019	2018 Adopted/2019	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	19,056,288	20,416,497	21,862,408	20,454,373	21,983,960	1,567,463	7.7%
Total	19,056,288	20,416,497	21,862,408	20,454,373	21,983,960	1,567,463	7.7%

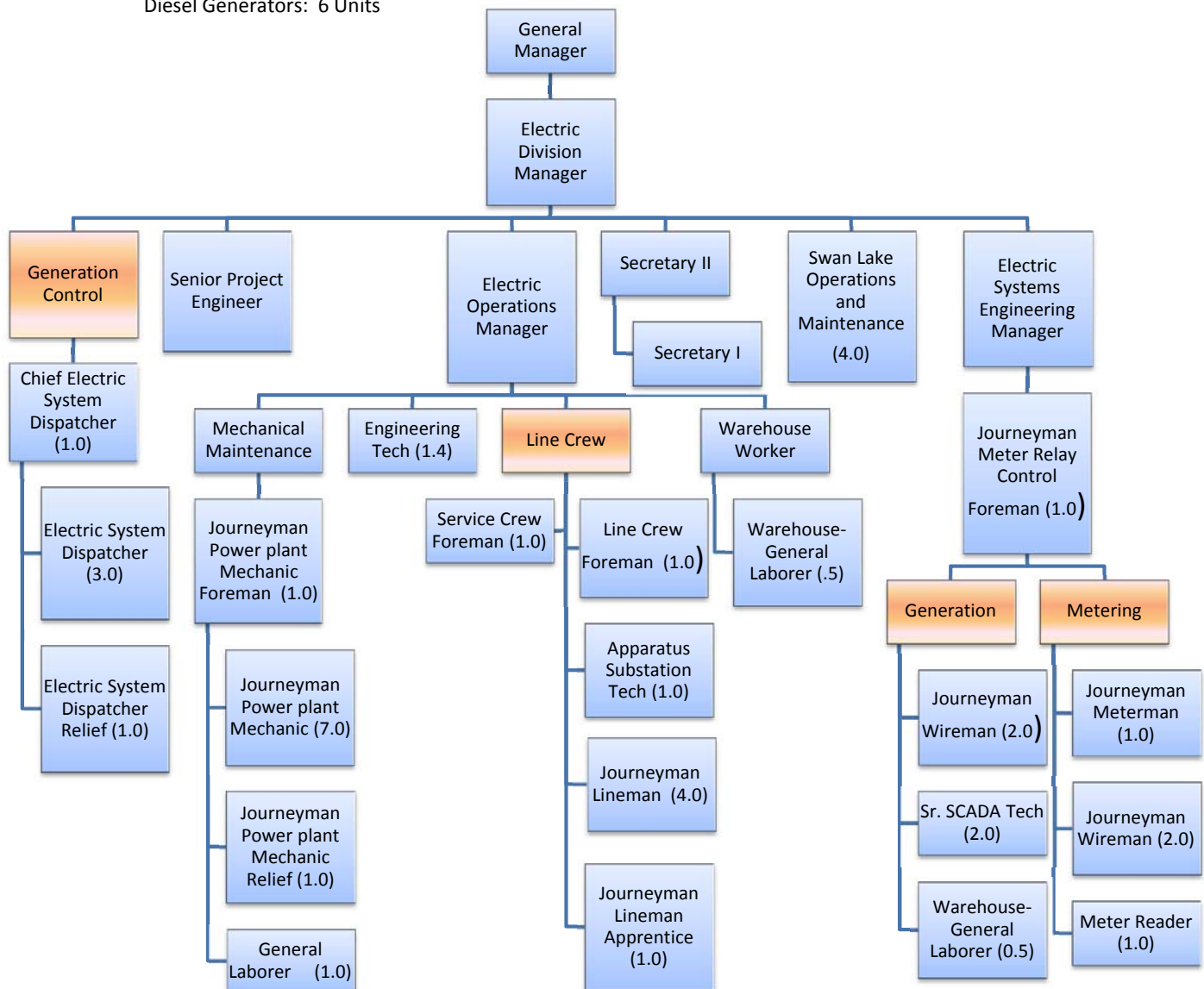
Full-time Equivalent Personnel	2017	2018 Budget		2019		2018 Adopted/2019	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
Operations	39.40	39.40	39.40	41.40	3,734,045	2.00	5.1%
Total	39.40	39.40	39.40	41.40	3,734,045	2.00	5.1%

MISSION STATEMENT

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

2018 Electric Division Statistics

Metered Customer Base Count:	7,866	Substations/Switchyards:	12
Poles (less SEAPA owned):	4,125	Switches & Fuses:	2,918
Transformers:	1,891	LED Street Lights:	430
		HPS Street Light:	1,121
Distribution Line:	101.5 miles		
Transmission Line:	33.1 miles	Secondary Radial Line:	122.15 miles
Hydro Generators:	9 Units/3 Licensed Projects	Regulatory Compliance:	FERC; EPA; DEC; USCG
			OSHA; NESC; NEC
Diesel Generators:	6 Units		



GOALS FOR 2019

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

ACCOMPLISHMENTS FOR 2018

- Safety and Environmental:
 - Continued OSHA training requirements for employee safety compliance;
 - Maintained ADOT requirements for traffic control flagging and work zones;
 - Maintained Emergency Action Plans (EAP's) for the Ketchikan Lakes and Whitman Lake hydroelectric projects;
 - Maintained a Dam Safety Program for KPU's three hydroelectric projects and nine dams; and
 - Maintained USCG approved Spill Prevention & Counter Controls plans (SPCC's).
- Customer Service:
 - Installed 207 new electrical services; and
 - AMI/AMR implementation now at 5,423 out of 7,895 meters, or 68.7% implemented.
- Generation:
 - Generated 73.6 GWh of energy with KPU hydro units; and
 - Limited diesel generation to only 7.2 GWh or 4% of total generation including SEAPA imports.
- Transmission and Distribution Facilities:
 - Replaced 35 power poles;
 - Continued replacement of aging power poles, cross-arms, and appurtenances;
 - Continued replacement of high-pressure sodium street lights with efficient LED's;
 - Completed rebuild of entire distribution system in the Forest Park Service neighborhood; and
 - Worked closely with ADOT on the Water Street, Front/Mill/Stedman, Herring Cove Bridge, Ward Cove Bridge, & First & Second Waterfall bridges projects.

KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Electric Division

Operations 5200

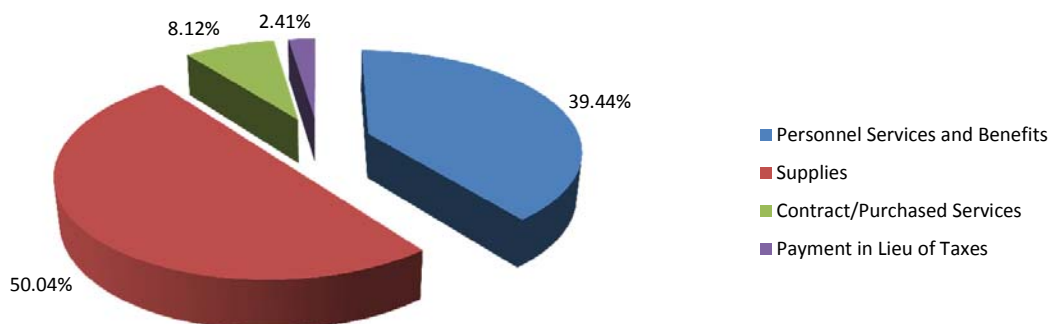
DIVISION SUMMARY							
Expenditures by Category	2017 Actual	2018 Budget			2019 Budget	2018 Adopted/2019	
		Adopted	Amended	Estimate		Incr(Decr)	%
Personnel Services and Benefits	5,144,968	5,579,174	5,579,174	5,465,220	6,261,765	682,591	12.2%
Supplies	6,939,109	7,698,600	8,163,530	8,236,530	7,944,400	245,800	3.2%
Contract/Purchased Services	926,694	1,271,785	1,257,466	1,183,271	1,289,000	17,215	1.4%
Minor Capital Outlay	37,288	64,500	59,800	32,300	52,500	(12,000)	-18.6%
Interdepartmental Charges	1,036,121	1,210,870	1,210,870	1,192,870	1,291,010	80,140	6.6%
Debt Service	2,200,874	1,144,325	1,144,325	1,144,325	1,142,750	(1,575)	-0.1%
Payment in Lieu of Taxes	381,993	381,993	381,993	381,993	381,993	-	0.0%
Total Expenditures	16,667,047	17,351,247	17,797,158	17,636,509	18,363,418	1,012,171	5.8%
Funding Source	2017 Actual	2018 Budget			2019 Budget	2018 Adopted/2019	
		Adopted	Amended	Estimate		Incr(Decr)	%
KPU Enterprise Fund	16,667,047	17,351,247	17,797,158	17,636,509	18,363,418	1,012,171	5.8%
Total Funding	16,667,047	17,351,247	17,797,158	17,636,509	18,363,418	1,012,171	5.8%
Full-time Equivalent Personnel	2017 Actual	2018 Budget		2019		2018 Adopted/2019	
		Adopted	Amended	Budget	Salary	Incr(Decr)	%
Division Manager	1.00	1.00	1.00	1.00	149,526	-	0.0%
Senior Project Engineer	1.00	1.00	1.00	1.00	113,960	-	0.0%
Operations Manager	1.00	1.00	1.00	1.00	108,982	-	0.0%
Senior System Engineer	1.00	1.00	1.00	1.00	113,960	-	0.0%
Secretary II	1.00	1.00	1.00	1.00	50,843	-	0.0%
Secretary I	1.00	1.00	1.00	1.00	41,927	-	0.0%
GENERATION							
Chief System Dispatcher	1.00	1.00	1.00	1.00	96,647	-	0.0%
System Dispatcher	3.00	3.00	3.00	3.00	251,145	-	0.0%
System Dispatcher-Relief	1.00	1.00	1.00	1.00	83,715	-	0.0%
SCADA							
Senior SCADA Technician	2.00	2.00	2.00	2.00	175,016	-	0.0%
LINE CREWS							
Line Crew Foreman	1.00	1.00	1.00	1.00	113,395	-	0.0%
Service Crew Foreman	1.00	1.00	1.00	1.00	113,395	-	0.0%
Apparatus Substation Tech		1.00	1.00	1.00	107,006	-	0.0%
Lineman	5.00	4.00	4.00	4.00	410,652	-	0.0%
Lineman Apprentice	1.00	1.00	1.00	1.00	92,310	-	0.0%
ELECTRICIANS							
Meter Relay Control Foreman	1.00	1.00	1.00	1.00	112,395	-	0.0%
Meterman	1.00	1.00	1.00	1.00	105,756	-	0.0%
Wireman/Electrician	4.00	4.00	4.00	4.00	405,652	-	0.0%
Meter Reader	1.00	1.00	1.00	1.00	52,826	-	0.0%
Warehouse-Relief Meter Reader	0.50	0.50	0.50	0.50	32,886	-	0.0%
MAINTENANCE							
Powerplant Mechanic Foreman	1.00	1.00	1.00	1.00	93,897	-	0.0%
Powerplant Mechanic	5.00	5.00	5.00	7.00	582,155	2.00	40.0%
Powerplant Mechanic-Relief	1.00	1.00	1.00	1.00	83,165	-	0.0%
SWAN LAKE							
Foreman	1.00	1.00	1.00	1.00	112,145	-	0.0%
Maintenance & Operations Person	3.00	3.00	3.00	3.00	268,743	-	0.0%

KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Electric Division

Operations 5200

Full-time Equivalent Personnel	2017 Actual	2018 Budget		2019		2018 Adopted/2019	
		Adopted	Amended	Budget	Salary	Incr(Decr)	%
OTHER							
Warehouse Worker	1.00	1.00	1.00	1.00	74,562	-	0.0%
Warehouse/General Laborer	0.50	0.50	0.50	0.50	32,886	-	0.0%
Engineering Tech-CADD & GIS	1.40	1.40	1.40	1.40	93,146	-	0.0%
General Laborer	1.00	1.00	1.00	1.00	42,240	-	0.0%
Subtotal	43.40	43.40	43.40	45.40	4,114,933	2.00	4.6%
Less Personnel Allocated							
Directly to Swan Lake:							
Foreman	(1.00)	(1.00)	(1.00)	(1.00)	(112,145)	-	0.0%
Maintenance & Operations Person	(3.00)	(3.00)	(3.00)	(3.00)	(268,743)	-	0.0%
Total	39.40	39.40	39.40	41.40	3,734,045	2.00	5.1%

2019 Expenditures by Type



OPERATING BUDGET CHANGES FOR 2019

Changes between the adopted operating budget for 2018 and the proposed operating budget for 2019 that are greater than 5% and \$5,000 are discussed below.

- Personnel Services and Benefits increased by \$682,591, or by 12.2%, due to annual employee step increases; supplemental wage increases for the lineman and wireman positions; a 2.0% cost of living adjustment for represented and non-represented employees that will become effective January 1, 2019; an increase in overtime wages due to anticipated transmission and distribution work and deferred maintenance previously scheduled under contract now being performed in-house; adding two powerplant mechanic positions in order for the Electric Division to comply with FERC mandated policies; and projected increases in employee health insurance premiums.
- Freight-Materials & Supplies (Account No. 520-04) increased by \$5,000, or by 14.3%, due to the increase in shipping costs.
- Generation Oil Lubricants (Account No. 525-02) increased by \$26,500, or by 79.1%, due to chemical issues identified in corrosion problems in Bailey Generator #4, resulting in changing out the antifreeze in all units.
- Purchased Power Rebate (Account No. 525-06) decreased by \$100,000, or by 20.0%, due to the decrease in SEAPA's purchased power rebate.
- Grant Awards (Account No. 610-02) decreased by \$18,865, or by 20.4%, due to a policy decision to change the funding for homeless and other humanitarian grant awards to come exclusively from the proceeds of the marijuana sales tax.
- Disposal Services (Account No. 635-09) increased by \$25,000, or by 500%, due to market value for scrap metal disposal and

KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Electric Division

Operations 5200

transportation costs.

- Telecommunications (Account No. 650-01) increased by \$10,000, or by 6.3%, due to an increase in telecommunication services.
- Infrastructure and Plant (Account No. 790-30) decreased by \$7,500, or 100%, due to a realignment of account structure.
- Interdepartmental Charges - Information Tech (Account No. 803.01) increased by \$34,950, or by 17.7%, due to a periodic review of the allocation methodology that resulted in more costs being assigned the Electric Division.
- Interdepartmental-Insurance (Account No. 825-01) increased by \$29,260, or by 13.6%, due to a property insurance appraisal and rising premiums for property and liability insurance.

DIVISION OPERATING BUDGET DETAIL							
Operating Expenditures	2017 Actual	2018 Budget			2019 Budget	2018 Adopted/2019	
		Adopted	Amended	Estimate		Incr(Decr)	%
Personnel Services and Benefits							
500 .01 Regular Salaries and Wages	3,091,274	3,346,114	3,302,484	3,284,450	3,734,045	387,931	11.6%
501 .01 Overtime Wages	218,791	200,000	243,630	243,630	300,000	100,000	50.0%
502 .01 Temporary Wages	39,942	70,000	70,000	43,520	70,000	-	0.0%
505 .00 Payroll Taxes	251,361	276,630	276,630	273,230	313,960	37,330	13.5%
506 .00 Pension	495,755	561,410	561,410	537,560	622,970	61,560	11.0%
507 .00 Health and Life Insurance	781,686	870,050	870,050	837,330	962,100	92,050	10.6%
507 .30 Workers Compensation	140,941	162,570	162,570	154,600	170,910	8,340	5.1%
508 .00 Other Benefits	119,299	82,900	82,900	82,900	79,780	(3,120)	-3.8%
509 .04 Allowances-KPU Clothing	5,744	9,000	9,000	7,500	7,500	(1,500)	-16.7%
509 .08 Allowances-Medical Expenses	175	500	500	500	500	-	0.0%
Personnel Services and Benefits	5,144,968	5,579,174	5,579,174	5,465,220	6,261,765	682,591	12.2%
Supplies							
510 .01 Office Supplies	12,646	14,500	14,500	14,500	17,000	2,500	17.2%
510 .02 Operating Supplies	12,157	9,200	9,200	9,200	10,000	800	8.7%
510 .03 Safety Program Supplies	17,411	20,000	20,000	17,000	20,000	-	0.0%
510 .04 Janitorial Supplies	1,309	1,000	1,000	1,000	1,000	-	0.0%
510 .05 Small Tools & Equipment	31,009	35,000	35,000	30,000	35,000	-	0.0%
515 .01 Vehicle Maintenance Materials	77,068	70,000	70,000	70,000	70,000	-	0.0%
515 .02 Building & Grounds Maint Materials	22,643	25,000	22,500	20,000	25,000	-	0.0%
515 .03 Furnitures & Fixtures Maint Materials	132	500	500	300	500	-	0.0%
515 .04 Machinery & Equip Maint Materials	33,487	50,000	24,500	19,000	50,000	-	0.0%
515 .05 Infrastructure & Plant Maint Materials	405,344	475,000	475,000	475,000	485,000	10,000	2.1%
520 .02 Postage	1,936	1,500	1,500	1,200	1,500	-	0.0%
520 .04 Freight-Materials & Supplies	22,395	35,000	39,000	39,000	40,000	5,000	14.3%
525 .01 Generation Diesel Fuel	958,261	334,900	1,009,630	1,009,630	334,900	-	0.0%
525 .02 Generation Oil Lubricants	14,653	33,500	55,000	55,000	60,000	26,500	79.1%
525 .03 Heating Fuel	3,101	5,000	5,000	5,000	5,500	500	10.0%
525 .04 Vehicle Motor Fuel & Lubricants	42,016	50,000	50,000	40,000	50,000	-	0.0%
525 .05 Purchased Power	6,685,280	6,400,000	6,800,000	6,800,000	6,500,000	100,000	1.6%
525 .06 Purchased Power Rebate	(1,405,295)	(500,000)	(500,000)	(400,000)	(400,000)	100,000	-20.0%
525 .07 Machinery & Equip Fuel & Lubricants	-	3,000	7,700	7,700	3,000	-	0.0%
525 .10 Whitman Lake - SEAPA True-up	-	612,000	-	-	612,000	-	0.0%
530 .02 Periodicals	465	1,000	1,000	1,000	1,500	500	50.0%
530 .03 Professional & Technical Publications	-	1,500	1,500	1,000	1,500	-	0.0%
535 .01 Moving Expenses	-	15,000	15,000	15,000	15,000	-	0.0%
535 .02 Business and Meal Expenses	2,587	3,000	3,000	3,000	3,000	-	0.0%
535 .05 Special Protective Clothing	504	3,000	3,000	3,000	3,000	-	0.0%
Supplies	6,939,109	7,698,600	8,163,530	8,236,530	7,944,400	245,800	3.2%

KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Electric Division

Operations 5200

Operating Expenditures	2017	2018 Budget			2019	2018 Adopted/2019	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Contract/Purchased Services							
600 .01 Travel-Business	2,389	5,000	5,700	5,700	5,000	-	0.0%
600 .02 Travel-Training	10,839	20,000	19,300	15,000	20,000	-	0.0%
600 .03 Travel-Training and Education	31,665	31,300	31,300	23,300	30,000	(1,300)	-4.2%
605 .01 Ads & Public Announcements	5,909	10,000	10,000	8,000	10,000	-	0.0%
610 .02 Grant Awards	107,483	92,365	75,546	71,871	73,500	(18,865)	-20.4%
615 .01 Professional and Technical Licenses	1,475	2,500	2,500	2,000	2,500	-	0.0%
615 .02 Assn. Membership Dues & Fees	12,203	15,000	15,000	15,000	15,000	-	0.0%
630 .01 Building & Operating Permits	85,107	125,000	125,000	120,150	125,000	-	0.0%
630 .02 Vehicle Licenses	365	1,500	1,500	1,000	1,500	-	0.0%
635 .02 Janitorial and Cleaning Services	3,600	5,000	5,000	3,600	5,000	-	0.0%
635 .03 Vehicle Maintenance Services	-	5,000	5,000	3,500	5,000	-	0.0%
635 .04 Software Maintenance Services	55,477	72,000	72,000	72,000	72,000	-	0.0%
635 .06 Bldg & Grounds Maintenance Services	540	7,000	7,000	5,000	7,000	-	0.0%
635 .08 Infrastructure Maintenance Services	12,097	20,000	25,700	25,700	20,000	-	0.0%
635 .09 Disposal Services	649	5,000	5,000	500	30,000	25,000	500.0%
635 .12 Technical Services	203,968	365,000	359,300	350,700	365,000	-	0.0%
635 .14 Other Contractual Services	8,977	23,000	23,000	20,000	23,000	-	0.0%
640 .01 Legal & Accounting Services	-	-	4,750	4,750	-	-	NA
640 .02 Engineering & Architectural Services	83,265	100,000	95,250	93,000	100,000	-	0.0%
640 .04 Management & Consulting Services	66,548	125,000	113,620	93,000	125,000	-	0.0%
645 .01 Rents & Leases-Land & Buildings	22,559	32,000	31,500	25,000	32,000	-	0.0%
645 .02 Rents & Leases-Machinery & Equip	3,314	3,500	6,500	6,500	4,500	1,000	28.6%
650 .01 Telecommunications	161,166	160,000	170,000	170,000	170,000	10,000	6.3%
650 .02 Electric, Water, Sewer & Solid Waste	47,099	46,620	48,000	48,000	48,000	1,380	3.0%
Contract/Purchased Services	926,694	1,271,785	1,257,466	1,183,271	1,289,000	17,215	1.4%
Minor Capital Outlay							
790 .15 Furniture and Fixtures	6,993	12,000	12,000	7,000	10,000	(2,000)	-16.7%
790 .26 Computers, Printers, and Copiers	29,770	35,000	35,000	20,000	35,000	-	0.0%
790 .30 Infrastructure and Plant	-	7,500	7,500	-	-	(7,500)	-100.0%
790 .35 Software	525	10,000	5,300	5,300	7,500	(2,500)	-25.0%
Minor Capital Outlay	37,288	64,500	59,800	32,300	52,500	(12,000)	-18.6%
Interdepartmental Charges							
800 .00 Interdept'l-Administrative	192,832	217,800	224,300	224,030	229,690	11,890	5.5%
801 .01 Interdept'l-Human Resources	69,219	75,970	75,970	74,970	78,960	2,990	3.9%
802 .00 Interdept'l-Finance	449,950	505,160	488,860	479,270	506,210	1,050	0.2%
803 .01 Interdept'l-Information Tech	169,415	197,580	197,580	190,440	232,530	34,950	17.7%
825 .01 Interdept'l-Insurance	154,705	214,360	224,160	224,160	243,620	29,260	13.6%
Interdepartmental Charges	1,036,121	1,210,870	1,210,870	1,192,870	1,291,010	80,140	6.6%
Debt Service							
931 .01 Debt Service-Principal	1,730,000	605,000	605,000	605,000	620,000	15,000	2.5%
932 .01 Debt Service-Interest	470,874	539,325	539,325	539,325	522,750	(16,575)	-3.1%
Debt Service	2,200,874	1,144,325	1,144,325	1,144,325	1,142,750	(1,575)	-0.1%
Other Costs							
975 .00 Payment in Lieu of Taxes	381,993	381,993	381,993	381,993	381,993	-	0.0%
Other Costs	381,993	381,993	381,993	381,993	381,993	-	0.0%
Total Expenditures by Type	16,667,047	17,351,247	17,797,158	17,636,509	18,363,418	1,012,171	5.8%

NARRATIVE

500.01 Regular Salaries and Wages: \$3,734,045 – This account provides for compensation paid to all regular salaried and hourly employees of the Electric Division.

501.01 Overtime Wages: \$300,000 - This account provides 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 for compensation paid to temporary salaried and hourly employees of the Electric Division.

505.00 Payroll Taxes: \$313,960 – This account provides for employer contributions for Social Security and Medicare and other similar payroll related taxes.

506.00 Pension: \$622,970 – This account provides for employer contributions to retirement plans.

507.00 Health and Life Insurance: \$962,100 – This account provides for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation \$170,910 – This account provides for employer contributions for workers compensation.

508.00 Other Benefits: \$79,780 – This account provides for expenditures for direct claims from former employees for unemployment benefits paid by the State of Alaska and accrued vacation and sick leave.

509.04 Allowances- KPU Clothing: \$7,500 - This account provides 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.

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

510.01 Office Supplies: \$17,000 - This account provides 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 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: \$20,000 - This account provides for safety training audio and video programs, safety equipment such as gloves, hard hats and hearing protection, OSHA medical exams, specialized hazardous materials handling and disposal information, specialized traffic control and protective safety equipment and clothing.

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

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

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

515.02 Building and Ground Maintenance Materials: \$25,000 – This account provides for 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: \$50,000 – This account provides for the 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: \$485,000 – This account provides for the 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 for postal related services such as postage, express delivery, mailing materials and the rent of post office boxes and postage machines.

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

525.01 Generation Diesel Fuel: \$334,900 - This account provides for diesel fuel to operate the electric generators used to produce electric energy for resale by Ketchikan Public Utilities.

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

525.03 Heating Fuel: \$5,500 - This account provides 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 for gasoline, diesel fuel, propane and lubricants used in the operations of the division's vehicles and vessels.

525.05 Purchased Power: \$6,500,000 - This account provides for electric energy purchased from SEAPA for resale by Ketchikan Public Utilities.

525.06 Purchased Power Rebate: (\$400,000) - This account provides for the credits for electric energy purchased from a third-party utility for resale by Ketchikan Public Utilities.

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

525.10 Whitman Lake - SEAPA True-up: \$612,000 - This account provides for the credits that Whitman Lake generation displaces purchased energy from SEAPA, which is currently forecasted at 9,000 MWh for the year.

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

530.03 Professional and Technical Publications: \$1,500 - This account provides 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.

535.01 Moving Expenses: \$15,000 – This account provides for direct payments or reimbursements to employees for expenditures incurred to relocate to Ketchikan.

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

535.05 Special Protective Clothing: \$3,000 – This account provides for employer provided clothing purchased for use by department or division personnel.

600.01 Travel-Business: \$5,000 – This account provides 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: \$20,000 - This account provides for transportation, lodging, meals, per diems and other incidental expenses associated with travel for training.

600.03 Training and Education: \$30,000 – This account provides 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: \$10,000 - This account provides for advertising and announcements in publications, newspapers, trade journals, Internet or broadcasts over radio and television. Included are legal notices, public service announcements, community issues, recruiting, requests for proposals, contracts and sales of property and equipment.

610.02 Grant Awards: \$73,500 - This account provides for the Electric Division's share of the City's Community Grant Program.

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

615.02 Assn. Membership Dues & Fees: \$15,000 – This account provides 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 for permits required for construction, environmental, occupancy and operations required by the Federal Energy Regulatory Commission, Alaska Department of Environmental Conservation and Department of Transportation for right-of-way and traffic control permits.

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

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

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

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

635.08 Infrastructure and Plant Maintenance Services: \$20,000 - This account provides for repair and maintenance of infrastructure owned or leased by the City. This includes contract labor and materials required to provide the service.

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

635.12 Technical Services: \$365,000 - This account provides for services that are not regarded as professional but require technical or special knowledge. Included are tree pruning and substation vegetation control.

635.14 Other Contractual Services: \$23,000 - This account provides 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 for engineering services for system protection, FERC required dam surveys and hydrology studies.

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

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

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

650.01 Telecommunications: \$170,000 - This account provides 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: \$48,000 - This account provides for electric, water, sewer and solid waste utility services.

790.15 Furniture and Fixtures: \$10,000 - This account provides for acquisition of furniture and fixtures. Included are desks, chairs, tables, workstations, file cabinets, storage cabinets and building fixtures.

790.26 Computers, Printers and Copiers \$35,000 - This account provides for expenditures for machinery and equipment usually composed of a complex combination of parts. Included are office equipment and operating equipment required to provide services or maintain capital assets.

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

800.00 Interdepartmental Charges – Administrative: \$229,690 - This account provides for administrative and management services provided by the departments of the City Council, City Clerk, City Attorney and the administrative office of the City Manager.

801.01 Interdepartmental Charges – Human Resources: \$78,960 - This account provides for human resource services provided by the Human Resources Division.

802.00 Interdepartmental Charges - Finance: \$506,210 - This account provides for financial, accounting, payroll, accounts payable, billing, customer service and budgeting services provided by the Finance Department.

803.01 Interdepartmental Charges – Information Technology: \$232,530 - This account provides for information technology services provided by the Information Technology Department.

825-01 Interdepartmental Charges – Insurance: \$243,620 - This account provides for risk management services and claims.

931.01 Debt Service-Principal: \$620,000 - This account provides for principal on revenue bonds.

932.01 Debt Service-Interest: \$522,750 - This account provides for interest on revenue bonds.

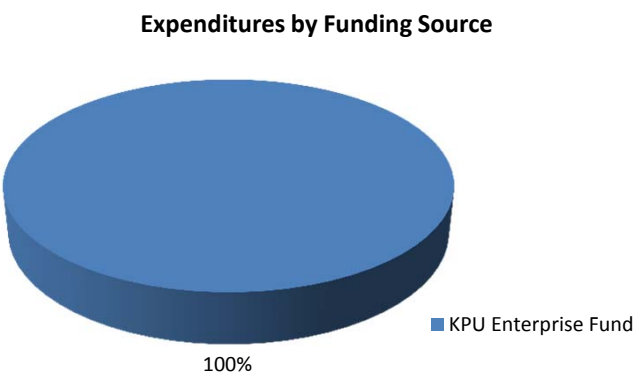
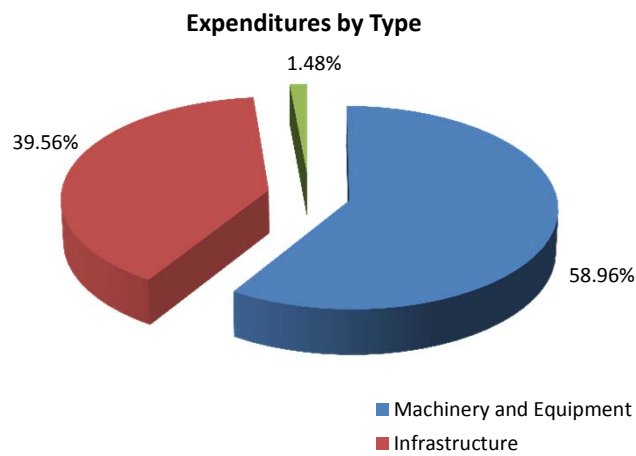
975.00 Payments in Lieu of Taxes: \$381,993 - This account provides for payments in lieu of taxes assessed against the enterprise funds of the City.

KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Electric Division

Capital Budget

Major Capital Outlay	2017 Actual	2018 Budget			2019 Budget	2018 Adopted/2019	
		Adopted	Amended	Estimate		Incr(Decr)	%
720.00 Vehicles and Moving Equipment	375,089	200,000	200,000	200,000	-	(200,000)	-100.0%
725.00 Machinery and Equipment	672,811	851,150	727,545	369,545	2,134,500	1,283,350	150.8%
730.00 Infrastructure	1,341,341	2,014,100	3,137,705	2,248,319	1,432,375	(581,725)	-28.9%
740-00 Other Capital Assets	-	-	-	-	53,667	53,667	New
Total Major Capital Outlay	2,389,241	3,065,250	4,065,250	2,817,864	3,620,542	555,292	18.1%

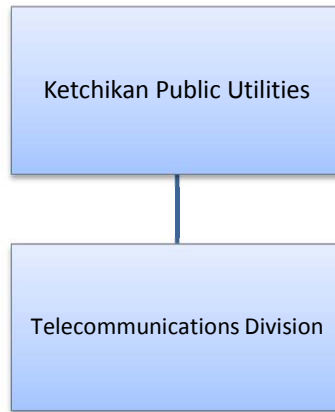
Capital Improvement Projects		Funding Sources			
Project #	Project	KPU Enterprise Fund	Grants	Bonds	Total
725.00 Machinery and Equipment					
	Bailey Unit No. 1 Rehabilitation	600,000	-	-	600,000
	Bailey Unit No. 3 Rehabilitation	500,000	-	-	500,000
	Beaver Falls Switch Gear Replacement	320,000	-	-	320,000
	Bailey Unit 4 Cylinder Head Refurbishment	85,000	-	-	85,000
	Mobile Substation Refurbishment	200,000	-	-	200,000
	AMI, Meters and Meter Replacement Parts	50,000	-	-	50,000
	Operating Equipment	294,500	-	-	294,500
	Transformer Purchases	85,000	-	-	85,000
	Bailey Exhaust Stack Re-coating	-	-	-	-
	Transformer Testing Program	-	-	-	-
	Total Machinery and Equipment	2,134,500	-	-	2,134,500
730.00 Infrastructure					
	Beaver Falls Relicensing	300,000	-	-	300,000
	Diesel Generation Modernization	200,000	-	-	200,000
	KIA-Pennock Island Upgrade	200,000	-	-	200,000
	FERC Part 12 and Owner's Dam Safety Program (ODSP)	115,000	-	-	115,000
	Electric System Modernization Program	100,000	-	-	100,000
	Bailey Mooring Dolphin Replacement	110,000	-	-	110,000
	Ward Cove Substation Improvements	224,000	-	-	224,000
	System Sectionalizing and Fault Study	19,500	-	-	19,500
	North Tongass Highway Overhead Design	13,875	-	-	13,875
	Additional Projects	100,000	-	-	100,000
	Reimbursable Projects	50,000	-	-	50,000
	Whitman Tailrace Modification	-	-	-	-
	Total Infrastructure	1,432,375	-	-	1,432,375
740-00 Other Capital Assets					
	Aerial Photos & Topographic Mapping Update	30,667	-	-	30,667
	ESRI Conversion	23,000	-	-	23,000
	Total Other Capital Assets	53,667	-	-	53,667
	Total Capital Budget	3,620,542	-	-	3,620,542



KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Telecommunications Division

Summary

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



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

DEPARTMENT EXECUTIVE SUMMARY

Divisions/Cost Center/Programs	2017	2018 Budget			2019	2018 Adopted/2019	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operations	13,905,896	16,017,341	16,096,520	15,747,942	16,441,627	424,286	2.6%
Capital Improvement Program	2,061,809	3,315,000	3,222,435	3,007,500	7,377,000	4,062,000	122.5%
Total	15,967,705	19,332,341	19,318,955	18,755,442	23,818,627	4,486,286	23.2%

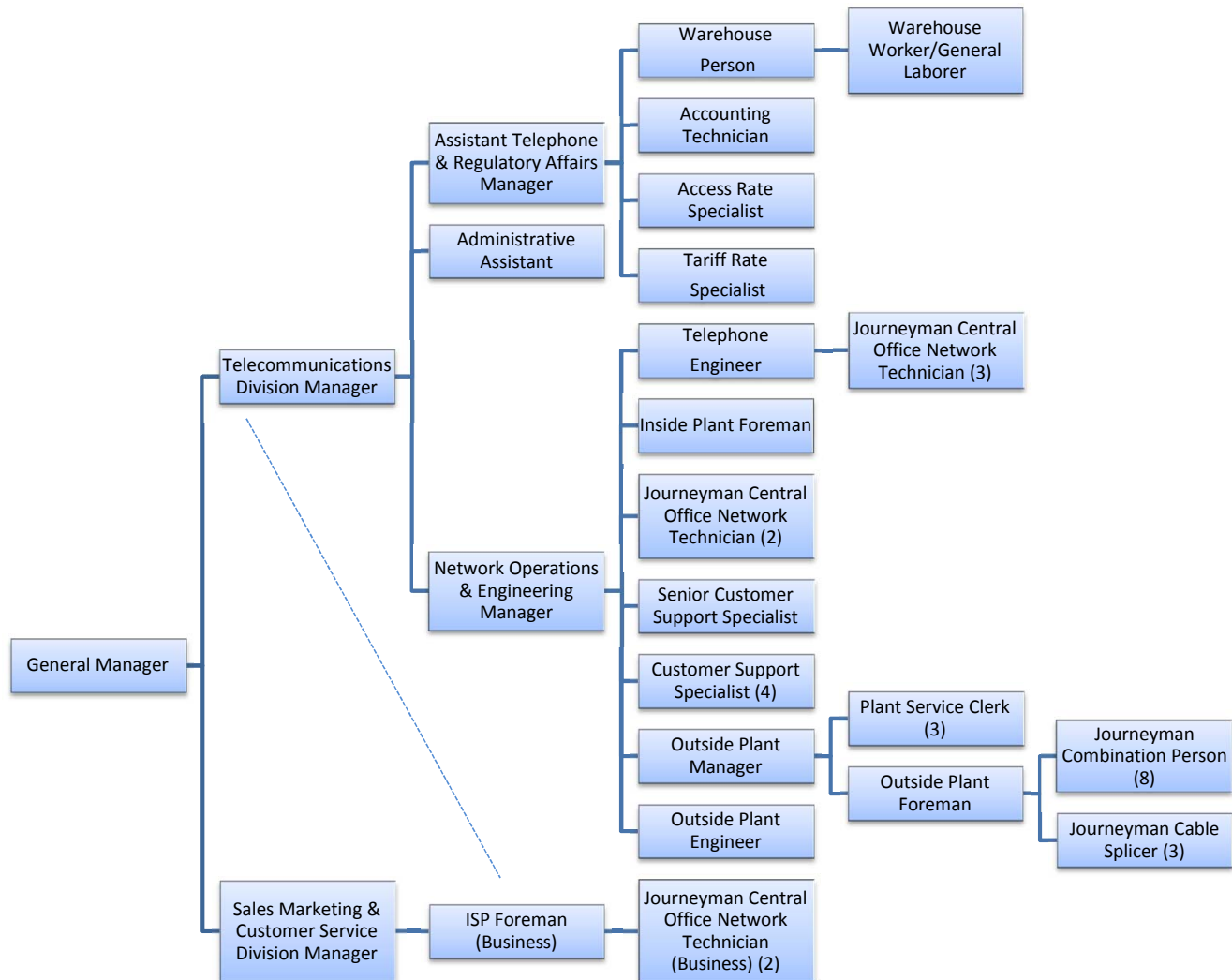
Expenditures by Category	2017	2018 Budget			2019	2018 Adopted/2019	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	5,105,369	5,614,969	5,439,969	5,232,550	5,956,430	341,461	6.1%
Supplies	955,013	885,000	977,565	870,500	885,500	500	0.1%
Contract/Purchased Services	5,844,519	6,812,895	6,969,509	6,964,205	7,477,750	664,855	9.8%
Minor Capital Outlay	445,034	13,000	18,000	18,000	17,500	4,500	34.6%
Interdepartmental Charges	923,394	1,069,910	1,069,910	1,041,120	1,041,060	(28,850)	-2.7%
Debt Service	426,209	1,415,209	1,415,209	1,415,209	857,029	(558,180)	-39.4%
Payment in Lieu of Taxes	206,358	206,358	206,358	206,358	206,358	-	0.0%
Major Capital Outlay	2,061,809	3,315,000	3,222,435	3,007,500	7,377,000	4,062,000	122.5%
Total	15,967,705	19,332,341	19,318,955	18,755,442	23,818,627	4,486,286	23.2%

Funding Source	2017	2018 Budget			2019	2018 Adopted/2019	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	15,967,705	19,332,341	19,318,955	18,755,442	18,808,627	(523,714)	-2.7%
Revenue Bond	-	-	-	-	5,010,000	5,010,000	NA
Total	15,967,705	19,332,341	19,318,955	18,755,442	23,818,627	4,486,286	23.2%

Full-time Equivalent Personnel	2017	2018 Budget		2019		2018 Adopted/2019	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
Operations	41.00	41.00	41.00	41.00	3,549,590	-	0.0%
Total	41.00	41.00	41.00	41.00	3,549,590	-	0.0%

MISSION STATEMENT

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



GOALS FOR 2019

The division's 2019 capital budget goals are essentially divided between Revenue & Competitive Strategy, Efficiency & Quality of Service and Ongoing Operations:

Revenue & Competitive Strategy: 2018 marked the fifth full year of operation for KPU's Verizon 'roaming data and voice' 4G/LTE. Investment in the 4G/LTE network has effectively enabled KPU Telecommunications to fund construction of the digital microwave system (to Canada); purchase an IRU (on GCI's undersea cable to Seattle); own/operate a Verizon agent store; and construct a wireless system/service in Skagway.

Each of these projects represents a significant 'first' for KPU, and better positions the Telecommunications Division to compete in the future – and has enabled KPU to procure affordable 'transport' to the Lower '48 – a critical component of remaining competitive for Internet and Television services.

Previous network additions (achieved via KPU ownership, as well as 'rented' network capacity) have created capacity over 20 times the amount of network connectivity required in 2012. Simply put, customer-demand (i.e., streaming video, "smart devices", increasing reliance upon digital "cloud" connectivity) continues to grow and place extraordinary demands on the KPU network. Traffic-forecasts make clear that KPU must invest in additional off-island capacity to meet near and long term future customer demand.

Accordingly, the 2018 capital budget included significant funding for an undersea/bathymetric study – a necessary first step in studying the seafloor (between Ketchikan and Prince Rupert, BC) for potential placement of an undersea fiber optic cable. With completion of the bathymetric study – KPU Telecommunications issued a Request for Bids in September, 2018. Bids were opened in early October, 2018 – determining total cost for this project to be \$872,350.

As of this writing, KPU is negotiating with potential partners for shared participation and ownership in the undersea fiber optic cable project. If negotiations are successful, KPU's 'cost of participation' will be approximately \$5,300,000. Accordingly, for purposes of completing the 2019 Capital Budget – KPU Telecommunications assumes investing in its share of the project via the issuance of a proposed KPU municipal utility revenue bond in the amount of \$5,500,000 (the amount required to finance the cost of construction and issuance costs and fund a reserve account). Upon project completion, KPU will have created a critical third 'leg' (along with the existing microwave and IRU) creating three physical KPU owned network connections to the Lower '48. This will place KPU in the unique position of ultimately owning 'unlimited' network capacity (limited only by the amount the division chooses to invest in network electronics, and/or the cost of 'transport' from Prince Rupert, BC, Canada to the Lower '48).

Ultimately the exact components of the project's partnerships and investments will be shared with Council in Executive Session – given the competitive nature of telecommunications business, as well as the division's need to obtain best possible pricing (which could be put at risk if the network acquisition plans were made public prematurely).

The 2019 Capital Budget includes other revenue investments, including:

\$500,000: Construct a radio tower near the KPU Telecommunications headquarters building. The new tower will allow placement of 4G/LTE radios (and other antennae necessary to serve remote areas in the future). The 4G/LTE radios were originally programmed for placement on AT&T's tower. Unfortunately, AT&T quoted KPU approximately \$300,000 (plus a substantial increase in monthly space fees) to structurally reinforce its tower – to accommodate KPU's new antenna / radios.

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

Efficiency: The 2019 budget includes replacement of one vehicle. Vehicle #47 is a 2000 GMC bucket truck, with 58,702 miles. Vehicle #47 is utilized/shared between the line crew and splicers. Vehicle #47 has a rusting frame, will no longer go up-hill in reverse, and is otherwise suffering from constant use and aging and requires replacement.

Quality of Service/Ongoing Operations: The division's 2019 operating budget (vs 2018) represents a decrease of \$147,795 or -0.9%. The 2019 operating budget is as close to a 'flat' budget as possible without decreasing services and/or eliminating personnel. Management believes that even with a "flat" operating budget, the proposed spending plan maintains a high quality of service without risking ongoing operations. The overall budget decrease was minimized by a number of significant increases in certain accounts as detailed in the Operating Budget Changes for 2019 narrative section of the division's proposed budget.

ACCOMPLISHMENTS FOR 2018

4G LTE / Microwave

- AWS and 4x4 MIMO upgrades for Skagway Cell Site.
- AWS and 4x4 MIMO upgrades for Fire Hall Sector Downtown.
- AWS and 4x4 MIMO upgrades for the Landfill and High Mountain locations.

Upgrade of microwave link to High Mountain.
Added new cell site at Tuttle Way.
Software upgrades and optimization of all eNodeBs.
Migration of all cell sites to new network management platform and reporting software.

Facility

Installed new power plants at Knudson Cove and K71 remotes.
Installed new fire suppression system in the Datacenter.
Installed new VDSL cabinets at Saxman and Schoenbar locations.

Core

Replaced and upgraded 2 new WAN routers for 10G internet capacity.
Added 2 redundant 10G internet peering points for GCI.
Added 2 redundant 10G internet peering points to City West.
Added 1G internet peering point to Nippon Telegraph and Telephone (NTT) with built-in DDoS protection.
Deployed a new router for the Airport.
Deployed 2 new routers for the new datacenter.

Voice

CNAME & LNP cache rollout and implementation.
KPU_LD implementation of thinQ for least cost routing.
Transnexus Fraud Detection hardware and software upgrades.
G729 codec support for low bandwidth links for VoIP.
ECG professional services and support and training on Broadworks softswitch.

Systems and Datacenter

GCSIT professional services design and support of new vSAN.
Migration from legacy Cisco UCS platform to new VMware vSAN virtualization environment.

Service Delivery

Removal of all AFC shelves in the CO.
Removal of 2 legacy Cisco 6509 routers and 2 Cisco 2950 switches.
Installed new VDSL cabinets at Saxman and Schoenbar locations.

Video

Migration of local content to new Castus server.
Turn-up of 3 new DVEO broadcast servers.
Launch of 4K video with 7 channels and STB support.
Added remote video quality monitoring to channels being received from Seattle.

OSP

LTE construction.
New Cellular Antennas Placed at Fire Station/High Mountain/Landfill.
Small Cell Placed at Tuttle Way.
30% reduction in pending construction schedule.
Fiber deployed at numerous key Business/Residential customers.
1047 installation service orders.
1332 Trouble Ticket truck rolls.
433 Drops installed.
15% increased activity in I&R from 2017.

Hosted Business Group

Installed 10 Meraki devices including MX64 and MR52.

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Operations 5300

4 Hosted phone systems (Southeast Aviation, Erin Reeves Associates, SEAPA, Totem Heritage Center).
 22 additional hosted stations.
 Satellite phone configuration.
 Meraki cameras installed at City Hall and Ports & Harbors.
 Silver King Lodge Point to Point completed.
 Meraki install for Power System & Supply.

DIVISION SUMMARY

Expenditures by Category	2017	2018 Budget			2019	2018 Adopted/2019	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	5,105,369	5,614,969	5,439,969	5,232,550	5,956,430	341,461	6.1%
Supplies	955,013	885,000	977,565	870,500	885,500	500	0.1%
Contract/Purchased Services	5,844,519	6,812,895	6,969,509	6,964,205	7,477,750	664,855	9.8%
Minor Capital Outlay	445,034	13,000	18,000	18,000	17,500	4,500	34.6%
Interdepartmental Charges	923,394	1,069,910	1,069,910	1,041,120	1,041,060	(28,850)	-2.7%
Debt Service	426,209	1,415,209	1,415,209	1,415,209	857,029	(558,180)	-39.4%
Payment in Lieu of Taxes	206,358	206,358	206,358	206,358	206,358	-	0.0%
Total Expenditures	13,905,896	16,017,341	16,096,520	15,747,942	16,441,627	424,286	2.6%

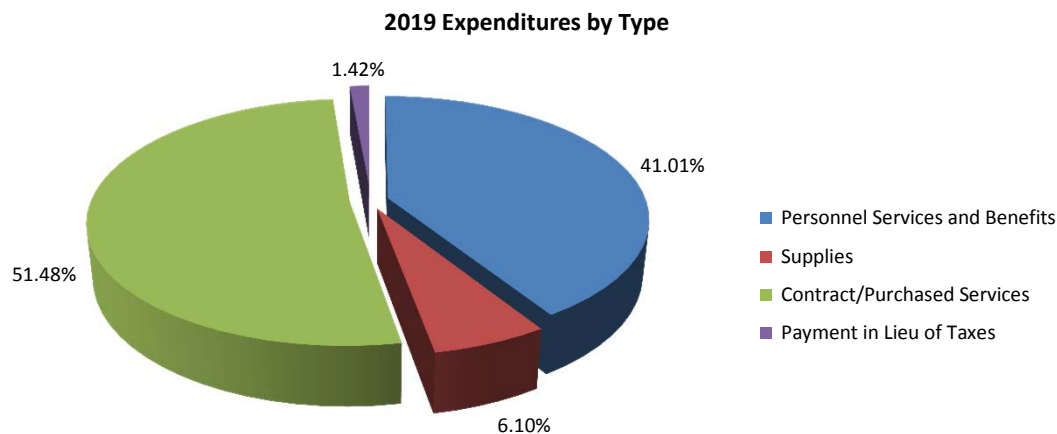
Funding Source	2017	2018 Budget			2019	2018 Adopted/2019	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	13,905,896	16,017,341	16,096,520	15,747,942	16,441,627	424,286	2.6%
Total Funding	13,905,896	16,017,341	16,096,520	15,747,942	16,441,627	424,286	2.6%

Full-time Equivalent Personnel	2017	2018 Budget		2019		2018 Adopted/2019	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
EXECUTIVE & PLANNING							
Division Manager	1.00	1.00	1.00	1.00	182,183	-	0.0%
Administrative Assistant	1.00	1.00	1.00	1.00	47,940	-	0.0%
GENERAL & ADMINISTRATIVE							
Assistant Manager	1.00	1.00	1.00	1.00	153,264	-	0.0%
Tariff Specialist	1.00	1.00	1.00	1.00	56,167	-	0.0%
Access Rate Specialist	1.00	1.00	1.00	1.00	57,023	-	0.0%
Accounting Technician	1.00	1.00	1.00	1.00	44,955	-	0.0%
ENGINEERING SERVICES							
Engineering Manager	1.00	1.00	1.00	1.00	153,208	-	0.0%
Engineer	1.00	1.00	1.00	1.00	122,633	-	0.0%
Outside Plant Engineer	1.00	1.00	1.00	1.00	122,633	-	0.0%
PLANT SPECIFIC							
Outside Plant Foreman	1.00	1.00	1.00	1.00	94,836	-	0.0%
Journeyman Cable Splicer	2.00	3.00	3.00	3.00	265,149	-	0.0%
Journeyman Combination Tech	8.00	8.00	8.00	8.00	671,976	-	0.0%
Apprentice-Telecom	-	-	-	-	-	-	NA
Inside Plant Foreman	1.00	1.00	1.00	2.00	209,792	1.00	100.0%
Journeyman CO Network Tech	11.00	9.00	9.00	7.00	689,101	(2.00)	-22.2%
Sr. Customer Support Specialist	-	-	-	1.00	52,806	1.00	New
Customer Support Specialist	3.00	4.00	4.00	4.00	190,010	-	0.0%

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Full-time Equivalent Personnel	2017	2018 Budget		2019		2018 Adopted/2019	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
PLANT NON-SPECIFIC							
Plant Manager	1.00	1.00	1.00	1.00	96,290	-	0.0%
Plant Service Clerk	3.00	3.00	3.00	3.00	199,290	-	0.0%
Warehouse Worker	1.00	1.00	1.00	1.00	74,562	-	0.0%
Warehouse Worker/Laborer	1.00	1.00	1.00	1.00	65,772	-	0.0%
Total	41.00	41.00	41.00	41.00	3,549,590	-	0.0%



OPERATING BUDGET CHANGES FOR 2019

Changes between the adopted operating budget for 2018 and the proposed operating budget for 2019 that are greater/lesser than 5% and \$5,000 are discussed below:

- Personnel Services and Benefits increased by \$341,461, or by 6.1%, due to the Council's action regarding compensation for management and engineering tiered positions; annual employee step increases; a 2.0% cost of living adjustment for represented and non-represented employees that will become effective January 1, 2019; an increase in overtime wages in order to adequately meet customer demand for services; and projected increases in employee health insurance premiums. Current vacancies in the engineering positions are also driving up the cost of health insurance because all of the positions have been programmed for family coverage, which was not the case in 2018.
- Inventory for Resale (Account No. 510.08) decreased by \$25,000, or by 50%, due to anticipated decline in device sales and associated costs.
- Moving Expenses - Non-Taxed (Account No. 535.01) increased by \$18,000, or by 150%, due to the expectation of filling vacant engineering positions in 2019 that will require moving expenses to be part of the hiring package.
- Grant Awards (Account No. 610.02) decreased by \$15,015, or by 20.4%, due to a policy decision to change the funding for homeless and other humanitarian grant awards to come exclusively from the proceeds of the marijuana sales tax.
- Building & Operating Permits (Account No. 630.01) decreased by \$35,000, or by 12.3%, due to a reduction in contributions to the Universal Service Fund program, which is based on Interstate telecommunications services and reimbursed by end user customers.
- Broadcast Content Fees (Account No. 630.04) increased by \$79,500, or by 5%, due to increases to annual programming costs from content providers. There are antiquated "Retransmission Consent" rules that the networks have been using to demand ever increasing content fees.

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- Vehicle Maintenance Services (Account No. 635.03) increased by \$8,000, or by 66.7%, due to the addition of a service program to have the rolling stock cleaned on a regular monthly schedule by a local vendor to improve brand image.
- Building and Grounds Maintenance Services (Account No. 635.06) Increased by \$8,000, or by 66.7%, due to the need to complete additional maintenance services on the aging buildings.
- Engineering and Architectural Services (Account No. 640.02) increased by \$125,000, or by 38.5%, due to increased engineering support services for the Data Center, Hosted PBX platform, and the continuing need for professional core network and IP engineering services to enhance and maintain the division's core network, security, and redundancy plans.
- Rents and Leases - Infrastructure (Account No. 645.04) increased by \$490,000, or by 18.8%, primarily due to additional transport capacity necessary in 2019 to meet growing customer data consumption requirements. There are also annual rent escalators in most the division's property and tower lease agreements contributing to the increase.
- Interdepartmental Charges - Information Technology (Account No. 803.01) decreased by \$46,380, or by 13.8%, due to a periodic review of the allocation methodology that resulted in less costs being assigned the Telecommunications Division.
- Interdepartmental-Insurance (Account No. 825.01) increased by \$6,660, or by 8.4%, due to a property insurance appraisal and rising premiums for property and liability insurance.
- Debt Service-Principal (Account No. 931.01) decreased by \$644,1422, or by 50.0%, due to returning to the normal amortization schedule for the interfund loan between the KPU Enterprise Fund and Port Enterprise Fund and the Self Insurance Fund. The decrease is partially offset by estimated debt service for a proposed \$5.5 million revenue bond to finance the expansion of transport capacity for the division's internet distribution systems.
- Debt Service-Interest (Account No. 932.01) increased by \$85,962, or by 67.8% due to a proposed \$5.5 million revenue bond to finance the construction of infrastructure improvements for the division's internet distribution systems.

DIVISION OPERATING BUDGET DETAIL

Operating Expenditures		2017	2018 Budget		2019	2018 Adopted/2019			
		Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%	
Personnel Services and Benefits									
500	.01	Regular Salaries and Wages	3,158,948	3,410,349	3,156,779	3,120,240	3,549,590	139,241	4.1%
501	.01	Overtime Wages	264,152	216,000	287,000	287,000	265,000	49,000	22.7%
502	.01	Temporary Wages	7,494	14,500	14,500	7,250	14,500	-	0.0%
505	.00	Payroll Taxes	259,206	278,530	278,530	260,110	293,700	15,170	5.4%
506	.00	Pension	540,059	608,710	608,710	561,560	649,880	41,170	6.8%
507	.00	Health and Life Insurance	814,345	925,530	925,530	839,670	1,008,510	82,980	9.0%
507	.30	Workers Compensation	70,347	87,900	87,900	75,700	80,540	(7,360)	-8.4%
508	.00	Other Benefits	(15,126)	66,450	74,020	74,020	87,410	20,960	31.5%
509	.04	Allowances-KPU Clothing	4,970	4,700	4,700	4,700	5,000	300	6.4%
509	.09	Allowances-Incentive Pay	974	2,300	2,300	2,300	2,300	-	0.0%
Personnel Services and Benefits			5,105,369	5,614,969	5,439,969	5,232,550	5,956,430	341,461	6.1%

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Operating Expenditures		2017	2018 Budget			2019	2018 Adopted/2019	
		Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Supplies								
510 .01	Office Supplies	15,026	16,000	16,000	16,000	16,000	-	0.0%
510 .02	Operating Supplies	18,570	20,000	20,000	20,000	20,000	-	0.0%
510 .03	Safety Program Supplies	13,216	15,000	15,000	15,000	19,000	4,000	26.7%
510 .04	Janitorial Supplies	5,399	6,000	6,000	6,000	6,000	-	0.0%
510 .05	Small Tools & Equipment	26,667	34,750	35,000	35,000	35,000	250	0.7%
510 .07	Food & Catering	563	750	1,000	1,000	1,000	250	33.3%
510 .08	Inventory for Resale	(66,393)	50,000	39,500	25,000	25,000	(25,000)	-50.0%
515 .01	Vehicle Maintenance Materials	34,319	23,000	25,000	25,000	25,000	2,000	8.7%
515 .02	Building & Grounds Maint Materials	15,211	14,000	14,000	14,000	14,000	-	0.0%
515 .04	Machinery & Equipment Maint Materi	758,202			-	-	-	NA
515 .05	Infrastructure & Plant Maint Materials	133	595,000	687,565	595,000	595,000	-	0.0%
520 .02	Postage	2,080	1,500	1,500	1,500	1,500	-	0.0%
520 .04	Freight-Materials & Supplies	44,796	46,500	46,500	46,500	46,500	-	0.0%
525 .03	Heating Fuel	5,404	6,000	6,000	6,000	6,000	-	0.0%
525 .04	Vehicle Motor Fuel & Lubricants	27,928	26,000	27,000	27,000	27,000	1,000	3.8%
530 .02	Periodicals	497	500	500	500	500	-	0.0%
530 .03	Professional & Technical Publications	584	1,000	1,000	1,000	1,000	-	0.0%
535 .01	Moving Expenses-Non Taxed	24,578	12,000	15,000	15,000	30,000	18,000	150.0%
535 .02	Business and Meal Expenses	1,000	1,000	1,000	1,000	1,000	-	0.0%
535 .04	Uniforms/Badges/Clothing	27,233	16,000	20,000	20,000	16,000	-	0.0%
	Supplies	955,013	885,000	977,565	870,500	885,500	500	0.1%
Contract/Purchased Services								
600 .01	Travel-Business	51,239	45,000	45,000	45,000	45,000	-	0.0%
600 .02	Travel-Training	12,380	30,000	30,000	30,000	30,000	-	0.0%
600 .03	Travel-Training and Education	21,094	15,250	15,250	15,250	15,250	-	0.0%
605 .01	Ads & Public Announcements	76,499	81,000	81,000	81,000	81,000	-	0.0%
605 .02	Marketing	1,095	4,500	4,500	2,500	2,500	(2,000)	-44.4%
610 .01	Community Promotion	4,484	4,000	4,000	4,000	4,000	-	0.0%
610 .02	Grant Awards	85,548	73,515	60,129	57,205	58,500	(15,015)	-20.4%
615 .01	Professional Licenses & Cert	-	250	250	250	250	-	0.0%
615 .02	Assn. Membership Dues & Fees	40,740	46,000	46,000	46,000	46,000	-	0.0%
630 .01	Building & Operating Permits	258,814	285,000	250,250	250,000	250,000	(35,000)	-12.3%
630 .02	Vehicle Licenses	209	500	500	500	500	-	0.0%
630 .03	Bank & Merchant Fees	674	500	1,500	1,500	1,500	1,000	200.0%
630 .04	Broadcast Content Fees	1,402,143	1,598,500	1,598,500	1,598,500	1,678,000	79,500	5.0%
630 .05	Software Licenses	750	500	1,750	1,750	500	-	0.0%
630 .06	Service Charges and Fees	-	250	250	250	250	-	0.0%
635 .02	Janitorial & Cleaning Services	20,643	24,000	24,000	24,000	24,000	-	0.0%
635 .03	Vehicle Maintenance Services	9,829	12,000	12,000	12,000	20,000	8,000	66.7%
635 .04	Software & Equip. Maint. Services	428,519	555,000	555,000	555,000	555,000	-	0.0%
635 .06	Building and Grounds Maint. Svc	23,040	12,000	19,500	19,500	20,000	8,000	66.7%
635 .07	Machinery & Equipment Maint. Svc	10,002	14,000	14,000	14,000	14,000	-	0.0%
635 .08	Infrastructure Maint. Services	99,170	65,000	65,000	65,000	65,000	-	0.0%
635 .12	Technical Services	107,675	126,000	126,000	126,000	126,000	-	0.0%
635 .13	Marketing Services	209	-	-	-	-	-	NA
635 .14	Other Contractual Services	171,311	140,000	165,000	165,000	140,000	-	0.0%
640 .01	Legal and Accounting Services	13,323	65,000	65,000	65,000	65,000	-	0.0%
640 .02	Engineering & Architectural Services	237,289	325,000	500,000	500,000	450,000	125,000	38.5%
640 .04	Management & Consulting Services	103,097	125,000	125,000	125,000	125,000	-	0.0%
645 .01	Rents and Leases-Land & Buildings	176,381	181,000	181,000	181,000	186,500	5,500	3.0%
645 .02	Rents and Leases-Machinery & Equip	1,917	2,000	2,000	2,000	2,000	-	0.0%

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		2017	2018 Budget			2019	2018 Adopted/2019	
Operating Expenditures		Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Contract/Purchased Services (continued)								
645	.04 Rents and Leases-Infrastructure	2,104,581	2,610,000	2,605,000	2,605,000	3,100,000	490,000	18.8%
650	.01 Telecommunications	178,305	167,000	167,000	167,000	167,000	-	0.0%
650	.02 Electric, Water, Sewer & Solid Waste	203,559	205,130	205,130	205,000	205,000	(130)	-0.1%
	Contract/Purchased Services	5,844,519	6,812,895	6,969,509	6,964,205	7,477,750	664,855	9.8%
Minor Capital Outlay								
790	.05 Buildings	57,677	-	-	-	-	-	NA
790	.15 Furniture and Fixtures	3,766	2,500	7,500	7,500	7,000	4,500	180.0%
790	.25 Machinery and Equipment	24,771	10,000	10,000	10,000	10,000	-	0.0%
790	.26 Computers, Printers & Copiers	27,706	-	-	-	-	-	NA
790	.35 Software	-	500	500	500	500	-	0.0%
	Minor Capital Outlay	445,034	13,000	18,000	18,000	17,500	4,500	34.6%
Interdepartmental Charges								
800	.00 Interdept'l-Administrative	153,480	173,360	178,360	178,310	181,760	8,400	4.8%
801	.01 Interdept'l-Human Resources	70,793	77,690	77,690	76,680	80,700	3,010	3.9%
802	.00 Interdept'l-Finance	358,123	402,070	402,070	381,460	401,530	(540)	-0.1%
803	.01 Interdept'l-Information Tech	289,001	337,050	331,950	324,870	290,670	(46,380)	-13.8%
825	.01 Interdept'l-Insurance	51,997	79,740	79,840	79,800	86,400	6,660	8.4%
	Interdepartmental Charges	923,394	1,069,910	1,069,910	1,041,120	1,041,060	(28,850)	-2.7%
Debt Service								
931	.01 Debt Service-Principal	287,932	1,288,449	1,288,449	1,288,449	644,307	(644,142)	-50.0%
932	.01 Debt Service-Interest	138,277	126,760	126,760	126,760	212,722	85,962	67.8%
	Debt Service	426,209	1,415,209	1,415,209	1,415,209	857,029	(558,180)	-39.4%
Other Costs								
975	.00 Payment in Lieu of Taxes	206,358	206,358	206,358	206,358	206,358	-	0.0%
	Other Costs	206,358	206,358	206,358	206,358	206,358	-	0.0%
	Total Expenditures by Type	13,905,896	16,017,341	16,096,520	15,747,942	16,441,627	424,286	2.6%

NARRATIVE

500.01 Regular Salaries and Wages: \$3,549,590 – This account provides for the cost of annual salaries and wages paid to the employees of the Telecommunications Division.

501.01 Overtime Wages: \$265,000 - This account provides for premium compensation paid to all non-exempt regular and temporary hourly employees for hours worked in excess of a regular working cycle. These excess hours typically occur because of scheduled after hours maintenance activity, callouts, emergencies arising from outages and equipment failure and spikes in the workload that is driven by customer demand.

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

505.00 Payroll Taxes: \$293,700 – This account provides for employer contributions for Social Security and Medicare and other similar payroll related taxes.

506.00 Pension: \$649,880 – This account provides 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: \$1,008,510 – This account provides for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation: \$80,540 – This account provides for employer contributions to workers compensation insurance.

508.00 Other Benefits: \$87,410 – This account provides for expenditures for direct claims from former employees for unemployment benefits paid by the State of Alaska and accrued vacation and sick leave.

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

509.09 Allowances-Incentive Pay: \$2,300 - This account provides for employee incentive and suggestion programs. These benefits are taxable to the employees.

510.01 Office Supplies: \$16,000 - This account provides for paper, pens, pencils, adding machine ribbons and tape, note pads, file folders, scotch tape, toner, ink cartridges, photocopy charges, small desk accessories and minor office equipment such as adding machines, staplers, comb binding machines and tape dispensers.

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

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

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

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

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

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

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

515.02 Building and Grounds Maintenance Materials: \$14,000 – This account provides materials required for the repair and maintenance of buildings and upkeep of the grounds owned or leased and operated by the Telecommunications Division.

515.05 Infrastructure and Plant Maintenance Materials: \$595,000 - This account provides 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: \$1,500 - This account provides 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: \$46,500 - This account provides for shipping or transporting supplies and material to and from vendors.

525.03 Heating Fuel: \$6,000 - This account provides for heating fuel to heat facilities owned or leased and operated by the division.

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

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

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

535.01 Moving Expenses: \$30,000 – This account provides for direct payments or reimbursements to employees for expenditures incurred to relocate to Ketchikan.

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

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

600.01 Travel-Business: \$45,000 – This account provides for transportation, lodging, meals, per diems and other incidental expenses associated with travel for business and trade meetings.

600.02 Travel-Training: \$30,000 - This account provides for transportation, lodging, meals, per diems and other incidental expenses associated with travel for training.

600.03 Training and Education: \$15,250 – This account provides for registration fees, training fees, training materials, tuition reimbursements and other incidental expenses associated with training and educating employees; and on-premises training programs provided by staff or third-parties.

605.01 Ads and Public Announcements: \$81,000 - This account provides 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: \$2,500 This account provides for announcements in publications, newspapers, trade journals, Internet, or broadcasts over radio and television for marketing and promoting competitive services offered by the division.

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

610.02 Grant Awards: \$58,500 – This account provides for the Telecommunications Division's share of the City's Community Grant Program.

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

615.02 Assn. Membership Dues & Fees: \$46,000 – This account provides 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.

KETCHIKAN PUBLIC UTILITIES

2019 Operating and Capital Budget

Telecommunications Division

Operations 5300

630.01 Building and Operating Permits: \$250,000 - This account provides for permits for construction, right-of-ways, and easements and regulatory fees for operations. Included in this account are USAC USF contributions, Interstate TRS for hearing impaired fees and caller ID data dip fees.

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

630.03 Bank & Merchant Fees: \$1,500 – This account provides for expenditures for monthly bank account service charges, merchant fees for use of credit and debit cards, wire transfer fees and other fees for banking services.

630.04 Broadcast Content Fees: \$1,678,000 – This account provides for the right to broadcast copyrighted intellectual property over the Telecommunications Division's IPTV network. Fees are generally paid on a per customer basis. Customer demand for existing and new programming services as well as programming rates negotiated with content providers determine what the Telecommunication Division must pay for its television content.

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

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

635.02 Janitorial & Cleaning Services: \$24,000 - This account provides for services to clean facilities and equipment owned or leased by the division. Included are janitorial, carpet cleaning and laundry services.

635.03 Vehicle Maintenance Services: \$20,000 – This account provides for 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: \$555,000 - This account provides for maintenance agreements to support licensed software and equipment systems. All of the primary equipment platforms the Telecommunications Division utilizes in providing services to customers such as its access and switching platforms require specialized software and maintenance support agreements so that staff can keep current versions of software and have access to their support services for outages or other technical difficulties. Also included are software services to support the division's automated provisioning and end user and carrier billing systems.

635.06 Building and Grounds Maintenance Services: \$20,000 - This account provides for 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: \$14,000 - This account provides for expenditures for the repair and maintenance of office equipment, machinery and other operating equipment owned or leased by the City/KPU. This account includes contract labor and materials required to provide the service. It also includes service maintenance agreements for equipment that does not require software support and are paid on either a fixed fee or fee based on usage.

635.08 Infrastructure and Plant Maintenance Services: \$65,000 - This account provides 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: \$126,000 - This account provides for the cost of the division's email platform and after-hours 24/7 help desk support. It is critical to KPU customers that they have access to after-hours support to resolve service problem issues. This also covers the cost of after hours network monitoring so that KPU may be notified of any larger outages and respond promptly.

635.14 Other Contractual Services: \$140,000 - This account provides for contractual services not identified in the account classifications under contractual services such as Signaling System 7 links and database charges, AECA tariff management and engineering design services.

KETCHIKAN PUBLIC UTILITIES

2019 Operating and Capital Budget

Telecommunications Division

Operations 5300

640.01 Legal and Accounting Services: \$65,000 - This account provides 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: \$450,000 - This account provides for engineering and consulting services such as professional engineering services to support the division's core network and Internet and hosted PBX infrastructure as well as any other specialized services that fall outside the scope of the division's current capabilities.

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

645.01 Rents and Leases - Land and Buildings: \$186,500 - This account provides for the rent and lease of land and buildings. Included are offices, housing for temporary employees and space rental for events, storage yards and covered storage facilities. Both operating and capital leases are accounted for in this account.

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

645.04 Rents and Leases – Infrastructure: \$3,100,000 - This account provides for the rent and lease of telecommunications facilities. Included are tower and transport leases for the division's 4G/LTE and microwave systems, charges related to providing Internet connectivity, charges for DSL services, electric pole attachments and wholesale long distance minutes.

650.01 Telecommunications: \$167,000 - This account provides 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: \$205,000 - This account provides for electric, water, sewer, and solid waste utility services.

790.15 Furniture and Fixtures: \$7,000 - This account provides for acquisition of furniture and fixtures. Included are desks, chairs, tables, workstations, file cabinets, storage cabinets and building fixtures.

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

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

800.00 Interdepartmental Charges – Administrative: \$181,760 - This account provides for administrative and management services provided by the departments of the City Council, City Clerk, City Attorney and the administrative office of the City Manager.

801.01 Interdepartmental Charges – Human Resources: \$80,700 - This account provides for human resource services provided by the Human Resources Division.

802.00 Interdepartmental Charges - Finance: \$401,530 - This account provides for financial, accounting, payroll, accounts payable, billing, customer service and budgeting services provided by the Finance Department.

803.01 Interdepartmental Charges – Information Technology: \$290,670 - This account provides for information technology services provided by the Information Technology Department.

825.01 Interdepartmental Charges – Insurance: \$86,400 - This account provides for risk management services and claims.

931.01 Debt Service-Principal: \$644,307 - This account provides for principal on bonds, loans, capital leases and other financing arrangements.

932.01 Debt Service-Interest: \$212,722 - This account provides for interest on bonds, loans, capital leases and other financing arrangements.

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

BUDGET DEFINITIONS

- ALU - Alcatel Lucent.
- AUP – Acceptable Use Policy: A policy which applies to customers and defines what is considered an acceptable use of their services purchased from KPU.
- BITS Clock – Building Integrated Timing Supply: Provides GPS timing to core components (voice switch, and other voice transmission equipment), to ensure end to end connectivity.
- CER – Compact Edge Router: A router, manufactured and sold by Brocade, used to deliver IP services to KPU customers.
- DHCP – Dynamic Host Control Protocol: A protocol used to hand out IP addresses to customer equipment (routers, PC's, or other connected devices) so they are able to utilize the internet.
- DU – Baseband Digital Unit: A component of the Ericsson 4G/LTE network, and part of the Verizon network.
- eTICS – Software offered by Mid-States Consultants: eTICS is the software utilized by OSP and ISP to design and maintain records of the division fiber and copper networks.
- HVAC - Heating, Ventilating, and Air Conditioning.
- IRU – Indefeasible Rights of Use: A permanent contractual agreement to use capacity on a network or facility.
- JDSU – A hardware and software manufacturer: Now known as Viavi networks, JDSU manufactures tools and test equipment, including a platform for Video monitoring utilized at KPU-T.
- MLX Core Router: A router manufactured and sold by Brocade, used to deliver IP services to KPU customers.
- MPEG - Moving Picture Experts Group (Video). MPEG-4 is Fourth Generation Video Encoding.
- NTP Servers – Network Time Protocol: Similar to a BITS clock, it provides GPS timing to IP connected devices, such as routers, switches, and servers.
- SBC – Session Border Controller: Utilized to secure communications between the public internet and the division's voice infrastructure.
- SIP – Session Initiation Protocol: The protocol utilized to offer Voice in an IP network.
- S-FLOW – Sampled Flow: A protocol to monitor and summarize IP traffic, providing high level usage information.
- VMware – Virtual Machine Software: A software suite utilized to “virtualize” servers and platforms, allowing for hardware savings by running many different systems on a single platform.
- VTC – Automation and Provisioning Suite: Offered by CommSoft, VTC provides automation in provisioning, along with several

KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Telecommunications Division

Capital Budget

Major Capital Outlay	2017	2018 Budget			2019	2018 Adopted/2019	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
705.00 Buildings	-	25,000	25,000	25,000	25,000	-	0.0%
720.00 Vehicles & Moving Equipment	457,152	275,000	275,000	275,000	150,000	(125,000)	-45.5%
725.00 Machinery and Equipment	-	45,000	45,000	45,000	45,000	-	0.0%
730.00 Infrastructure	1,604,657	2,970,000	2,877,435	2,662,500	7,115,000	4,145,000	139.6%
740.00 Other Assets	-	-	-	-	42,000	42,000	New
Total Major Capital Outlay	2,061,809	3,315,000	3,222,435	3,007,500	7,377,000	4,062,000	122.5%

Capital Improvement Projects		Funding Sources			
Project #	Project	KPU	Grants	Bonds	Total
		Enterprise Fund			
705.00 Buildings					
	Regulated				
	Normal Growth and Repair Buildings	25,000	-	-	25,000
	Total Buildings	25,000	-	-	25,000
720.00 Vehicles and Moving Equipment					
	Vehicle Acquisition	150,000	-	-	150,000
	Total Vehicles and Moving Equipment	150,000	-	-	150,000
725.00 Machinery and Equipment					
	Regulated				
	PC Hardware and Software	20,000	-	-	20,000
	Operating Equipment	25,000	-	-	25,000
	Total Machinery and Equipment	45,000	-	-	45,000
730.00 Infrastructure					
	Regulated				
	Normal Growth and Repair - CO Switching	25,000	-	-	25,000
	Normal Growth and Repair - Copper Cable	20,000	-	-	20,000
	Normal Growth and Repair - Fiber Cable	150,000	-	-	150,000
	Normal Growth and Repair - CO Transmission	250,000	-	-	250,000
	Normal Growth and Repair - Expansion	25,000	-	-	25,000
	Normal Growth and Repair - Provisioning	45,000	-	-	45,000
	Fiber to the Home	75,000	-	-	75,000
	Remote Cabinets for Advanced Services	25,000	-	-	25,000
	Core Network Upgrade	100,000	-	-	100,000
	Blade Server	50,000	-	-	50,000
	Multi-Dwelling Unit Project	75,000	-	-	75,000
	Power Expansion/Reclamation	25,000	-	-	25,000
	LiveWire Replacement/Design	60,000	-	-	60,000
	Network Monitoring	40,000	-	-	40,000

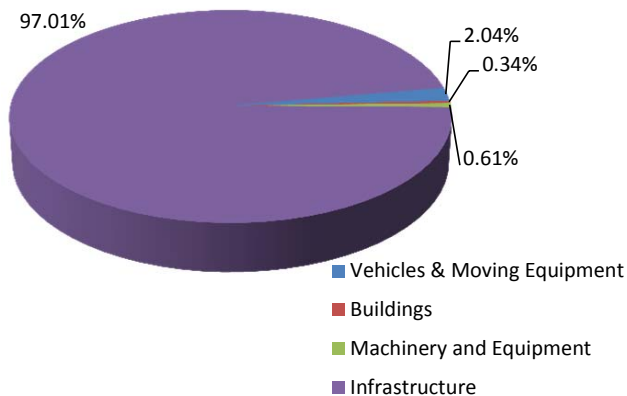
KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Telecommunications Division

Capital Budget

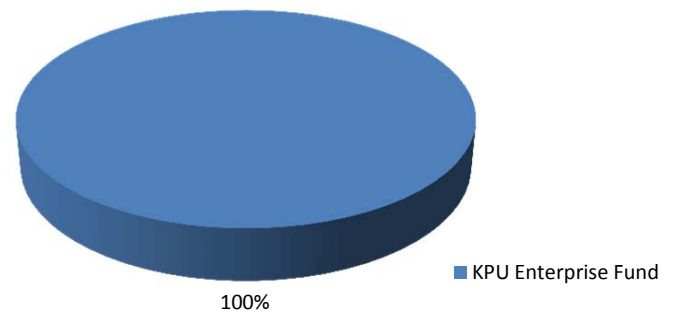
2018 Capital Improvement Projects (continued)

2018 Capital Improvement Projects (continued)		Funding Sources			
Project #	Project	KPU	Grants	Bonds	Total
		Enterprise Fund			
730.00 Infrastructure (continued)					
	Non-Regulated				
	Headend Expansion	100,000	-	-	100,000
	Internet Expansion	300,000	-	5,010,000	5,310,000
	Video Set Top Boxes	100,000	-	-	100,000
	4G-LTE	500,000	-	-	500,000
	Microwave	50,000	-	-	50,000
	Hosted	75,000	-	-	75,000
	WiFi	15,000	-	-	15,000
	Total Infrastructure	2,105,000	-	5,010,000	7,115,000
740.00 Other Capital					
	Aerial Photos & Topographic Mapping	24,000	-	-	24,000
	ESRI Conversion	18,000	-	-	18,000
	Total Other Capital Assets	42,000	-	-	42,000
	Total Capital Budget	2,367,000	-	5,010,000	7,377,000

Expenditures by Type



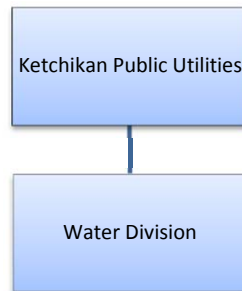
Expenditures by Funding Source



KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Water Division

Summary

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

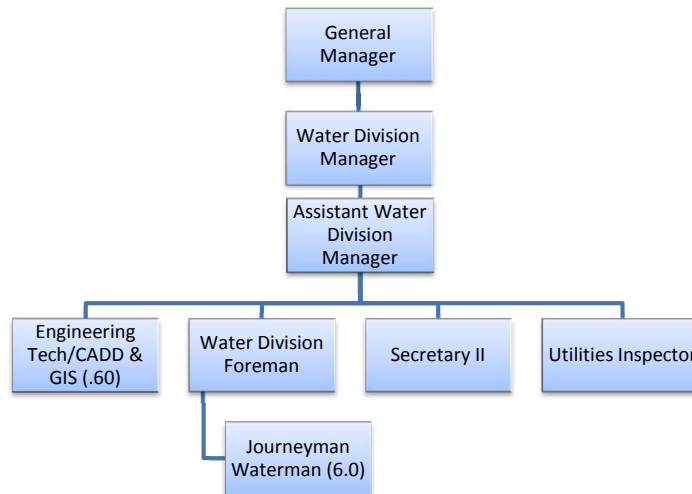


The Water Division operates one division and oversees one Capital Improvement Program.

DEPARTMENT EXECUTIVE SUMMARY							
Divisions/Cost Center/Programs	2017	2018 Budget			2019	2018 Adopted/2019	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Operations	3,046,171	3,531,249	3,527,130	3,365,608	3,763,275	232,026	6.6%
Capital Improvement Program	1,021,249	1,323,000	1,323,000	248,173	3,099,071	1,776,071	134.2%
Total	4,067,420	4,854,249	4,850,130	3,613,781	6,862,346	2,008,097	41.4%
Expenditures by Category	2017	2018 Budget			2019	2018 Adopted/2019	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	1,292,045	1,429,202	1,436,542	1,435,025	1,674,889	245,687	17.2%
Supplies	286,401	294,505	292,405	275,555	311,795	17,290	5.9%
Contract/Purchased Services	324,753	522,210	511,381	433,466	522,100	(110)	0.0%
Minor Capital Outlay	5,082	5,700	5,700	5,150	5,700	-	0.0%
Interdepartmental Charges	370,356	452,673	454,143	434,127	449,220	(3,453)	-0.8%
Debt Service	569,885	629,310	629,310	584,636	601,922	(27,388)	-4.4%
Other Costs	197,649	197,649	197,649	197,649	197,649	-	0.0%
Major Capital Outlay	1,021,249	1,323,000	1,323,000	248,173	3,099,071	1,776,071	134.2%
Total	4,067,420	4,854,249	4,850,130	3,613,781	6,862,346	2,008,097	41.4%
Funding Source	2017	2018 Budget			2019	2018 Adopted/2019	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	4,067,420	3,854,249	3,850,130	3,613,781	4,020,346	166,097	4.3%
Bonds	-	1,000,000	1,000,000	-	2,842,000	1,842,000	184.2%
Total	4,067,420	4,854,249	4,850,130	3,613,781	6,862,346	2,008,097	41.4%
Personnel	2017	2018 Budget		2019		2018 Adopted/2019	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
Operations	10.60	10.60	10.93	11.60	957,359	1.00	9.4%
Total	10.60	10.60	10.93	11.60	957,359	1.00	9.4%

MISSION STATEMENT

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



GOALS FOR 2019

- Demonstrate to the satisfaction of customers and regulatory agencies that the UV Disinfection and Chloramination Facility has achieved all of its objectives and is delivering pure, safe potable water to the ratepayers. This includes enforcement of the Utility's cross-connection program and requiring backflow preventers wherever the possibility of contamination exists.
- In conjunction with the Public Works Department, continue with designs for the future water and sewer replacement projects that are identified in both the General Government and KPU five-year Capital Improvement Programs.
- Continue to address the issue of cast-iron water mains throughout the community.
- Identify source leaks and reduce the waste of water wherever possible.
- Continue to provide continuing education classes necessary for division employees to maintain their required certifications.
- Continue to take whatever actions are necessary for Ketchikan to comply with the latest amendments to the Safe Water Drinking Act while continuing to meet the requirements of the EPA's Administrative Order that allows Ketchikan to remain as an unfiltered system.
- Continue efforts to implement the business and commercial water and wastewater metering project, including awarding a contract for the purchase and installation of the water meters following an Alaska Department of Environmental Conservation loan offer and an approved bond.

ACCOMPLISHMENTS FOR 2018

Ensured compliance with the EPA's Administrative Order (AO) that allows Ketchikan's municipal water system to remain unfiltered as long as the division can continue to meet all applicable criteria. Although Ketchikan has been able to meet all of the AO's requirements for the past 26 years, once the EPA's Stage 1 and Stage 2 Disinfection Byproducts Rules went into effect, the regulations have proven difficult to meet and have required the Utility to make significant disinfection method changes. The EPA's Stage 2 Disinfection Byproducts Rule (Stage 2 DBPR) that went into effect in 2014 requires sampling only at the two worst-case scenarios within the distribution system and during specific months. Ketchikan began disinfecting with chloramines instead of chlorine on April 8, 2014, which substantially reduced the previously high amounts of haloacetic acids present. This was further enhanced on June 14, 2016 after installing additional equipment to begin a two-part program of reducing the amount of chlorine disinfectant injected at the primary site followed by minimal secondary chlorine injected downstream of the UV Disinfection Facility.

Once the EPA's Stage 2 DBP Rule went into effect, the required DBP Rule sample points changed. The week and month that the samples must be collected is now specified, and KPU can no longer average the results over the entire distribution system. Instead each sample point must stand on its own merits, and when averaged over the mandatory February, May, August, and November samples, these become the official results that are measured for compliance and must unequivocally be below a 60 parts per billion (ppb) average for haloacetic acids (HAA5) and 80 ppb for total trihalomethanes (TTHM). The latest running quarterly average HAA5 results at the two worst-case sites for the four specific months were 44.5 ppb and 47.5 ppb respectively. Similarly, the TTHM's overall running average, expressed at the same Stage 2 DBPR averaged quarterly basis, found both sites were 28.4 and 27.8 ppb; which is well below the 80 ppb Maximum Contaminants Level (MCL).

KPU's compliance with the EPA's haloacetic acid regulations for over 1.5 years is now the longest period KPU has ever achieved since sampling first began in 2004. Despite these favorable results, it is important that Ketchikan not become too complacent and consider that these results are the new norm and will continue. There have been years when, as Ketchikan Lakes' raw water grew warmer during the summer months, the amount of dissolved organics in the water also increased significantly. Following the addition of chlorine for disinfection, it also created amounts of haloacetic acids that were much greater than 60 ppb.

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

The raw water from the Ketchikan Lakes and Granite Basin watershed is delivered to both KPU's Ketchikan Hydrogeneration Plant and the Chlorination Facility through a series of tunnels and penstocks that were constructed during 1921-1925. When the design was prepared for the original Chlorination Plant in 1955, the incoming raw water mains were to be replaced with new 16-inch steel piping. Likely installed when the Ketchikan Lakes Dam was rebuilt in 1957 and possibly even before then, the 16-inch steel piping exterior surfaces have been carefully protected with coal tar epoxy and layers of tar paper. However, they were finally failing from within and leaks are being patched with temporary wrap-around bands. These 16-inch steel water transmission mains had reached the end of their useful life after 60 years' service and were well overdue for replacement. More importantly, they are the sole source of supply for Ketchikan's municipal drinking water system.

The key requirement before beginning any demolition of either of the 16-inch steel raw water mains was to ensure that the existing 12-inch cast-iron valves installed in 1925 at the concrete tunnel plug were absolutely secured. Whenever these isolating valves are closed, they are holding back 100 psi of water pressure and are under significant stress. Should one somehow fail, a torrent of high-pressure water would be suddenly released into the tunnel endangering any personnel caught inside the tunnel.

Using chains and rock bolts, each cast-iron valve was very well restrained to both the concrete tunnel plug as well as securely anchored to the rock floor of the tunnel. Recognizing the vulnerability of continuing to depend upon these very old isolating valves, the transition piping design included two new stainless steel elbows assembled with an intermediate 16-inch butterfly valve to form an S-bend assembly. One end was bolted onto the original 12-inch valve and the other end gradually enlarging before connecting to the 20-inch HDPE piping delivering raw water to the Chlorination Plant. This new 16-inch butterfly valve will serve as the future isolating valve whenever needed and will eliminate the stresses on the original cast-iron valve that is already well over 90 years old.

KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Water Division

Operations 5400

Demolition of the of the easternmost 16-inch steel raw water main began mid-December 2017 with the replacement 20-inch HDPE main being completely installed, pressure tested, and placed in service on February 9, 2018. Since much less water is consumed by Ketchikan during the winter months, it was possible to supply enough raw water to meet the community's needs by using just December's newly installed HDPE bypass line connected to the 42-inch penstock. This allowed demolition of the remaining 16-inch steel main to begin in mid-January 2018; well before construction of the new easternmost 20-inch HDPE main was completed. Installation of the westernmost 20-inch HDPE main was completed on March 7th and the final crossover between the two HDPE raw water transmission mains on March 11, 2018.

On April 19, 2018, the City Council adopted a resolution establishing the position of Assistant Water Division Manager. City of Ketchikan Assistant Public Works Director Seth Brakke was appointed to the position effective September 10, 2018.

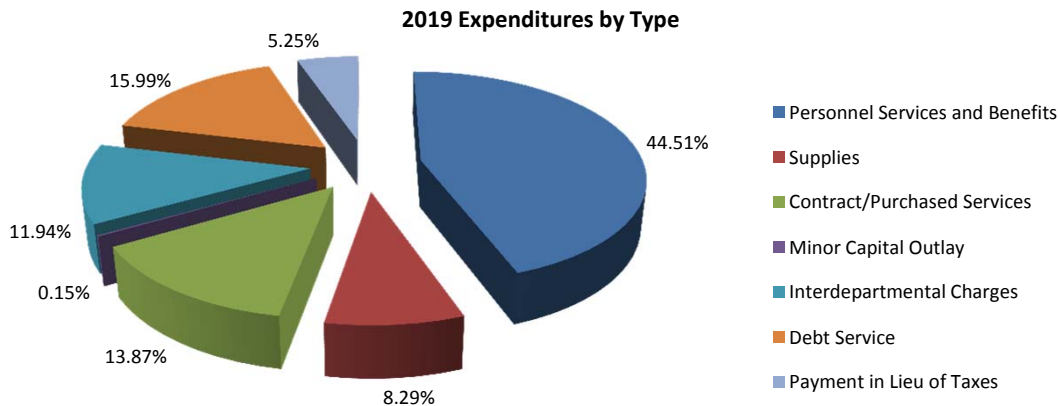
In cooperation with the Finance Department and the Public Works Wastewater Division, the Water Division began implementation of the business and commercial water metering project. This included identifying and purchasing a sample group of water meters to integrate with the existing electric meter system as well as auditing and beginning design work for the custom installation of water meters for business and commercial customers.

DIVISION SUMMARY

Expenditures by Category	2017	2018 Budget			2019	2018 Adopted/2019	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Personnel Services and Benefits	1,292,045	1,429,202	1,436,542	1,435,025	1,674,889	245,687	17.2%
Supplies	286,401	294,505	292,405	275,555	311,795	17,290	5.9%
Contract/Purchased Services	324,753	522,210	511,381	433,466	522,100	(110)	0.0%
Minor Capital Outlay	5,082	5,700	5,700	5,150	5,700	-	0.0%
Interdepartmental Charges	370,356	452,673	454,143	434,127	449,220	(3,453)	-0.8%
Debt Service	569,885	629,310	629,310	584,636	601,922	(27,388)	-4.4%
Payment in Lieu of Taxes	197,649	197,649	197,649	197,649	197,649	-	0.0%
Total Expenditures	3,046,171	3,531,249	3,527,130	3,365,608	3,763,275	232,026	6.6%

Funding Source	2017	2018 Budget			2019	2018 Adopted/2019	
	Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
KPU Enterprise Fund	3,046,171	3,531,249	3,527,130	3,365,608	3,763,275	232,026	6.6%
Total Funding	3,046,171	3,531,249	3,527,130	3,365,608	3,763,275	232,026	6.6%

Personnel	2017	2018 Budget		2019		2018 Adopted/2019	
	Actual	Adopted	Amended	Budget	Salary	Incr(Decr)	%
Water Division Manager	1.00	1.00	1.00	1.00	122,724	-	0.0%
Assistant Water Division Manager	-	-	0.33	1.00	119,729	1.00	New
Foreman	1.00	1.00	1.00	1.00	87,007	-	0.0%
Journeyman Waterman	6.00	6.00	6.00	6.00	460,524	-	0.0%
Utility Inspector	1.00	1.00	1.00	1.00	77,319	-	0.0%
Eng Tech/KPU-CADD & GIS	0.60	0.60	0.60	0.60	39,213	-	0.0%
Secretary II	1.00	1.00	1.00	1.00	50,843	-	0.0%
Total	10.60	10.60	10.93	11.60	957,359	1.00	9.4%



OPERATING BUDGET CHANGES FOR 2019

Changes between the adopted operating budget for 2018 and the proposed operating budget for 2019 that are greater than 5% and \$5,000 are discussed below.

- Personnel Services and Benefits increased by \$245,687, or by 17.2%, due to annual employee step increases; a 2.0% cost of living adjustment for represented and non-represented employees that will become effective January 1, 2019; addition of the Assistant Water Division Manager position; increased overtime in expectation of the additional time necessary beyond customary working hours that will need to be spent both for inspecting and providing contractor support during 2019's complex water meter installation project; and projected increases in employee health insurance premiums.
- Chemicals (Account No. 510.06) increased by \$5,000, or by 5.3%, due to the increase of the transportation cost of chemicals to Ketchikan. While the chemical costs have remained fairly stable, during 2018 the cost of truck and marine transportation has increased significantly, particularly that of ammonium hydroxide, which has increased 25%.
- Machinery & Equipment Maintenance Materials (Account No. 515.04) increased by \$10,000, or by 20.0%, due to the continuous operation of the UV Disinfection Facility since 2010 and the renewable components such as UV lamps or their power supplies which must be replaced as they fail or reach the end of their useful service life.
- Interdepartmental Charges - Information Tech (Account No. 803.01) increased by \$11,650, or by 25.1%, due to a periodic review of the allocation methodology that resulted in more costs being assigned to the Water Division.
- Interdepartmental Charges - Engineering (Account No. 804.01) decreased by \$23,000, or by 16.5% as result of less engineering services being required to address deferred maintenance and capital improvements planned for the Water Division.
- Debt Service (Account No. 932.01) decreased by \$27,388, or by 4.4%, due to the City borrowing less than anticipated from the ADEC Drinking Water Loan Program for the Mill Street Water Main Replacement Project.

KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Water Division

Operations 5400

DIVISION OPERATING BUDGET DETAIL							
Operating Expenditures		2017 Actual	2018 Budget			2019 Budget	2018 Adopted/2019 Incr(Decr) %
			Adopted	Amended	Estimate		
Personnel Services and Benefits							
500	.01 Regular Salaries and Wages	792,967	819,172	861,870	861,870	957,359	138,187 16.9%
501	.01 Overtime Wages	63,039	65,000	55,542	55,330	75,000	10,000 15.4%
502	.01 Temporary Wages	-	36,000	-	-	38,000	2,000 5.6%
505	.00 Payroll Taxes	64,629	70,400	73,160	73,160	81,890	11,490 16.3%
506	.00 Pension	139,170	155,600	158,350	158,350	190,960	35,360 22.7%
507	.00 Health and Life Insurance	210,209	231,940	235,510	235,510	277,430	45,490 19.6%
507	.30 Workers Compensation	26,751	30,620	30,620	29,990	34,180	3,560 11.6%
508	.00 Other Benefits	(7,105)	17,830	18,850	18,850	17,430	(400) -2.2%
509	.04 Allowances-KPU Clothing	2,310	1,890	1,890	1,890	1,890	- 0.0%
509	.08 Allowances-Medical Expenses	75	750	750	75	750	- 0.0%
Personnel Services and Benefits		1,292,045	1,429,202	1,436,542	1,435,025	1,674,889	245,687 17.2%
Supplies							
510	.01 Office Supplies	3,347	4,000	4,000	3,500	4,000	- 0.0%
510	.02 Operating Supplies	6,305	15,000	15,000	12,000	15,000	- 0.0%
510	.03 Safety Program Supplies	1,891	3,500	3,500	3,000	3,500	- 0.0%
510	.04 Janitorial Supplies	214	750	1,350	1,000	750	- 0.0%
510	.05 Small Tools & Equipment	4,719	5,000	5,000	4,500	5,000	- 0.0%
510	.06 Chemicals	65,076	95,000	88,300	85,000	100,000	5,000 5.3%
515	.01 Vehicle Maintenance Materials	11,508	20,000	13,000	12,000	20,000	- 0.0%
515	.02 Building & Grounds Maint Materials	4,739	5,000	5,000	2,500	5,000	- 0.0%
515	.04 Machinery & Equip Maint Materials	72,806	50,000	55,000	55,000	60,000	10,000 20.0%
515	.05 Infrastructure & Plant Maint Materials	99,720	68,000	75,000	75,000	70,000	2,000 2.9%
520	.02 Postage	861	2,500	1,400	300	1,000	(1,500) -60.0%
520	.03 Bulk Mailing	1,247	2,500	3,600	3,600	4,290	1,790 71.6%
520	.04 Freight-Materials & Supplies	375	3,000	2,000	1,500	3,000	- 0.0%
525	.04 Vehicle Motor Fuel & Lubricants	12,519	18,000	18,000	15,000	18,000	- 0.0%
530	.02 Periodicals	-	155	155	155	155	- 0.0%
530	.03 Professional & Technical Publications	922	1,600	1,600	1,400	1,600	- 0.0%
535	.02 Business and Meal Expenses	152	500	500	100	500	- 0.0%
Supplies		286,401	294,505	292,405	275,555	311,795	17,290 5.9%
Contract/Purchased Services							
600	.02 Travel-Training	1,736	3,000	3,000	1,500	3,000	- 0.0%
600	.03 Travel-Training and Education	5,000	12,000	12,000	6,500	12,000	- 0.0%
605	.01 Advertising and Public Announcements	1,409	1,200	2,200	1,700	1,200	- 0.0%
605	.02 Advertising and Publishing - Marketing	726	1,850	2,850	2,500	1,850	- 0.0%
610	.02 Grant Awards	26,323	22,620	18,501	17,601	18,000	(4,620) -20.4%
615	.01 Professional Licenses & Fees	100	250	1,390	1,390	1,400	1,150 460.0%
615	.02 Assn. Membership Dues & Fees	1,583	2,200	2,160	1,800	2,000	(200) -9.1%
630	.01 Building & Operating Permits	100	2,000	2,000	600	1,500	(500) -25.0%
630	.02 Vehicle Licenses	119	150	150	75	150	- 0.0%
635	.04 Software Maintenance Services	6,746	10,000	10,000	9,500	10,000	- 0.0%
635	.06 Bldg & Grounds Maintenance Services	2,904	5,000	5,000	4,300	5,000	- 0.0%
635	.07 Machinery & Equipment Maint Services	795	28,000	28,000	20,000	28,000	- 0.0%
635	.08 Infrastructure Maintenance Services	6,333	40,000	40,000	30,000	40,000	- 0.0%
635	.12 Technical Services	37,817	85,000	72,130	46,000	85,000	- 0.0%
640	.02 Engineering & Architectural Services	34,121	100,000	99,000	80,000	100,000	- 0.0%
645	.02 Rents and Leases-Machinery & Equip	-	3,000	3,000	1,000	3,000	- 0.0%
650	.01 Telecommunications	31,311	35,000	35,000	34,000	35,000	- 0.0%
650	.02 Electric, Water, Sewer & Solid Waste	167,630	170,940	175,000	175,000	175,000	4,060 2.4%
Contract/Purchased Services		324,753	522,210	511,381	433,466	522,100	(110) 0.0%

KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Water Division

Operations 5400

Operating Expenditures			2017	2018 Budget			2019	2018 Adopted/2019	
			Actual	Adopted	Amended	Estimate	Budget	Incr(Decr)	%
Minor Capital Outlay									
790	.15	Furniture and Fixtures	-	1,000	1,000	450	1,000	-	0.0%
790	.26	Computers, Printers and Copiers	5,082	4,700	4,700	4,700	4,700	-	0.0%
Minor Capital Outlay			5,082	5,700	5,700	5,150	5,700	-	0.0%
Interdepartmental Charges									
800	.00	Interdepartmental-Administrative	47,224	53,340	54,690	54,690	56,250	2,910	5.5%
801	.01	Interdepartmental-Human Resources	17,305	19,000	19,000	18,690	19,740	740	3.9%
802	.00	Interdepartmental-Finance	110,192	123,720	122,370	117,360	123,970	250	0.2%
803	.01	Interdepartmental-Information Tech	39,862	46,490	46,490	44,810	58,140	11,650	25.1%
804	.01	Interdepartmental-Engineering	108,713	139,000	139,000	126,000	116,000	(23,000)	-16.5%
825	.01	Interdepartmental-Insurance	24,446	35,720	37,190	37,180	40,480	4,760	13.3%
850	04	Interdepartmental-Bldg Rent	22,614	35,403	35,403	35,397	34,640	(763)	-2.2%
Interdepartmental Charges			370,356	452,673	454,143	434,127	449,220	(3,453)	-0.8%
Debt Service									
931	.01	Debt Service-Principal	445,562	489,566	489,566	465,892	486,631	(2,935)	-0.6%
932	.01	Debt Service-Interest	124,323	139,744	139,744	118,744	115,291	(24,453)	-17.5%
Debt Service			569,885	629,310	629,310	584,636	601,922	(27,388)	-4.4%
Other Costs									
975	.00	Payment in Lieu of Taxes	197,649	197,649	197,649	197,649	197,649	-	0.0%
Other Costs			197,649	197,649	197,649	197,649	197,649	-	0.0%
Total Expenditures by Type			3,046,171	3,531,249	3,527,130	3,365,608	3,763,275	232,026	6.6%

NARRATIVE

500.01 Regular Salaries and Wages: \$957,359 - This account provides for the cost of the annual wages of the employees of the Water Division.

501.01 Overtime Wages: \$75,000 - This account provides for the cost of overtime incurred by employees of the Water Division during the course of the year.

502.01 Temporary Wages: \$38,000 - This account provides for the cost of temporary employees of the Water Division during the course of the year.

505.00 Payroll Taxes: \$81,890 - This account provides for employer contributions for Social Security, Medicare, and other similar payroll related taxes.

506.00 Pension: \$190,960 - This account provides for employer contributions to retirement plans.

507.00 Health and Life Insurance: \$277,430 - This account provides for employer contributions to employee health and life insurance plans.

507.30 Workers Compensation: \$34,180 - This account provides for employer contributions to workers compensation.

508.00 Other Benefits: \$17,430 - This account provides for expenditures for direct claims from former employees for unemployment benefits paid by the State of Alaska and accrued vacation and sick leave.

509.04 Allowances-KPU Clothing: \$1,890 - This account provides 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 for employee medical exams paid directly to employees. These benefits are taxable to the employees.

510.01 Office Supplies: \$4,000 - This account provides 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: \$15,000 - This account provides 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 for the purchase of materials and supplies required to conduct an ongoing safety program for the Water Division.

510.04 Janitorial Supplies: \$750 - This account provides 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 for the purchase and/or replacement of small tools and equipment used by the division.

510.06 Chemicals: \$100,000 - This account provides for the purchase of the various chemicals including salt, soda ash, phosphoric acid and ammonium hydroxide that are used for water disinfection and treatment.

515.01 Vehicle Maintenance Materials: \$20,000 - This account provides 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 for the cost of materials used by staff for the repair and maintenance of the division's buildings. The buildings operated by the division include the Water Warehouse, the UV Disinfection Facility, the Chlorination Plant, the Ammonia Addition Building, the Two-Point Chlorination Facility and the four water pump station structures including their six associated reservoirs.

515.04 Machinery & Equipment Maintenance Materials: \$60,000 - This account provides 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: \$70,000 - This account provides 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: \$1,000 - This account provides for the cost of mailing division correspondence and water samples for analysis by independent labs.

520.03 Bulk Mailing: \$4,290 - This account provides for bulk mailings to KPU ratepayers including mailing the annual Consumer Confidence Report providing relevant water quality information to all ratepayers as required by EPA Regulations.

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

525.04 Vehicle Motor Fuel and Lubricants: \$18,000 - This account provides for the purchase of fuel and lubricants used for the operations of the division's vehicles.

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

530.03 Professional and Technical Publications: \$1,600 - This account provides for the purchase of professional and technical publications. Included are engineering journals, textbooks and relevant water technical standards.

535.02 Business and Meal Expenses: \$500 - This account provides for reimbursements to employees for business related meal expenses.

600.02 Travel-Training: \$3,000 - This account provides for the cost associated with business travel incurred by the division.

600.03 Training and Education: \$12,000 – This account provides for the annual cost of EPA required training of Water Division personnel. Regulations mandate that the operating staff maintain their current distribution and treatment certifications through annual continuing education credits. Rather than send those employees outside, it is much more cost effective for the division to bring a qualified instructor to Ketchikan and conduct the classes here. The only exception would be for those employees whose educational needs are best met by attendance at a specific technical class being held within the Pacific Northwest metropolitan area.

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

605.02 Advertising and Marketing: \$1,850 - This account provides for the cost of all division related advertising and communications with the Utility's customers including funding for radio spots and newspaper ads to inform ratepayers of important news of changed conditions or public health implications. Other expenditures include the monthly charges for the telephone directory, street closures due to water main repairs and the advertising of contracts for bid.

610.02 Grant Awards: \$18,000 - This account provides for the Water Division's share of the City's Community Grant Program.

615.01 Professional Licenses and Technical Certifications: \$1,400 – This account provides 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 for division memberships in the American Water Works Association, its associated Alaska counterpart, and the Alaska Rural Water Association.

630.01 Building and Operating Permits: \$1,500 - This account provides 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: \$150 – This account provides for licensing KPU vehicles for operation on public highways.

635.04 Software Maintenance Services: \$10,000 – This account provides for acquisition of software systems and upgrades covered by maintenance agreements.

635.06 Buildings and Grounds Maintenance Services: \$5,000 - This account provides 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: \$28,000 - This account provides contractual services including labor and materials for the repair and maintenance of the division's machinery and other operating equipment and maintenance service agreements. Included are hydraulic breakers and gasoline powered tools, specialized chemical feed pumps, the pumps, motors, and switch gear installed in each pump station, operating equipment and storage tanks installed at the three disinfection facilities and the recalibration of hazardous gas monitors.

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

635.12 Technical Services: \$85,000 - This account provides for services that are not regarded as professional but require technical or specialized knowledge. Included is the extensive certified and independent laboratory water testing as required throughout the year. Other items include repair or replacement of specialized operating equipment and its control instrumentation.

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

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

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

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

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

790.26 Computers, Printers, and Copiers: \$4,700 - This account provides for the purchase of two computers identified by the Information Technology Department as due for replacement.

800.00 Interdepartmental Charges – Administrative: \$56,250 - This account provides for administrative and management services provided by the departments of the City Council, City Clerk, City Attorney and the administrative office of the City Manager.

801.01 Interdepartmental Charges – Human Resources: \$19,740 - This account provides for human resource services provided by the Human Resources Division.

802.00 Interdepartmental Charges - Finance: \$123,970 - This account provides for financial, accounting, payroll, accounts payable, billing, customer service and budgeting services provided by the Finance Department.

803.01 Interdepartmental Charges – Information Technology: \$58,140 - This account provides for information technology services provided by the Information Technology Department.

804.01 Interdepartmental Charges – Engineering: \$116,000 - This account provides for engineering services provided by the Public Works Department-Engineering Division.

825.01 Interdepartmental Charges – Insurance: \$40,480 - This account provides for risk management services and claims.

850.04 Interdepartmental Charges - Building Rent: \$34,640 - This account provides for the cost of office space at the KPU Administration Building.

931.01 Debt Service-Principal: \$486,631 - This account provides for principal on revenue bonds and ADEC drinking water loans.

932.01 Debt Service-Interest: \$115,291 - This account provides for interest on revenue bonds and ADEC drinking water loans.

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

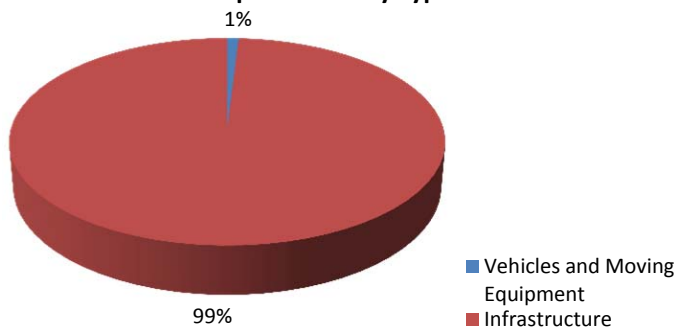
KETCHIKAN PUBLIC UTILITIES
2019 Operating and Capital Budget
Water Division

Capital Budget

Major Capital Outlay	2017 Actual	2018 Budget			2019 Budget	2018 Adopted/2019	
		Adopted	Amended	Estimate		Incr(Decr)	%
720.00 Vehicles and Moving Equipment	-	60,000	60,000	59,911	30,000	(30,000)	-50.0%
730.00 Infrastructure	1,021,249	1,263,000	1,263,000	188,262	3,069,071	1,806,071	143.0%
Total Major Capital Outlay	1,021,249	1,323,000	1,323,000	248,173	3,099,071	1,776,071	134.2%

Capital Improvement Projects		Funding Sources			
Project #	Project	KPU Enterprise Fund	Grants	Bonds	Total
720.00 Vehicles and Moving Equipment					
	Warehouse Fork Truck	30,000	-	-	30,000
	Total Vehicles and Moving Equipment	30,000	-	-	30,000
730.00 Infrastructure					
	Water Distribution Grid Improvements	30,000	-	-	30,000
	Additional Projects	40,000	-	-	40,000
	Water Service Upgrade Program	15,000	-	-	15,000
	Backflow Prevention Program	3,000	-	-	3,000
	Water Meters Business & Commercial Customers	48,738		1,250,000	1,298,738
	Update Aerial Photos & Topographic Mapping	25,333	-	-	25,333
	GIS ESRI Conversion	19,000	-	-	19,000
	Valley Court Utility Improvements	46,000	-	-	46,000
	Schoenbar Road Water - Phase I (Valley Forge & South)	-	-	1,592,000	1,592,000
	Total Infrastructure	227,071	-	2,842,000	3,069,071
	Total Capital Budget	257,071	-	2,842,000	3,099,071

Expenditures by Type



Expenditures by Funding Source

