

RESOLUTION NO. 18PUC-005

**RESOLUTION APPROVING AND RECOMMENDING 2019
UTILITY BUDGET.**

WHEREAS, pursuant to 2-186 (d) of the Duluth City Code, 1959, as amended, the Duluth Public Utilities Commission (the "DPUC") is charged with approving and recommending to the Duluth City Council the annual budget for the City's water utility, natural gas utility, sanitary sewer utility, clean water utility, and stormwater utility; and

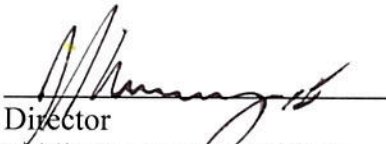
WHEREAS, the DPUC has reviewed the attached budget for said utilities for the year 2019 and determined that it is reasonable and appropriate to meet the needs of the respective utilities, of the City and of the customers of the utilities.

RESOLVED, that the DPUC hereby approves and recommends to the City Council that it approve the attached budget for the City's water utility, natural gas utility, sanitary sewer utility, clean water utility, and stormwater utility for the budget year 2019.

Approved by the DPUC: 9/18/2018
(date)

Submitted to City Council: 9/19/2018
(where appropriate) (date)

ATTEST:



Director
Public Works and Utilities
City of Duluth

STATEMENT OF PURPOSE:

The purpose of this resolution is to approve and recommend to the City Council the attached 2019 budget for the City's water utility, natural gas utility, sanitary sewer utility, clean water utility, and stormwater utility.

**WATER FUND
CASH PROJECTION - DRAFT BUDGET
PROJECTED 2018 THRU 2020**

08/17/18

	Actual 2017	Budget 2018	Projected 2018	Budget 2019	Projected 2020
Unrestricted Cash (including Debt Serv. Res.)	0	552,600	-	2,256,416	2,645,716
Revenues:					
Metered Water Sales (4810)	10,768,788	11,502,000	11,450,000	12,000,000	12,630,000
Water Sales for Resale (4811)	1,115,311	1,315,000	1,050,000	1,035,000	1,095,000
Fixed Rate Charges (4831)	2,408,826	2,403,000	2,403,000	2,403,000	2,405,000
Misc. Operating Revenue	152,458	135,000	130,000	133,000	133,000
Non-Operating Revenues	208,780	165,600	220,200	173,200	173,200
Total Revenues	14,654,164	15,520,600	15,253,200	15,744,200	16,436,200
Other Sources of Cash:					
Due from Other Funds	135,400	-	21,296	-	-
Special Assessment Principal	125,140	-	119,969	-	-
Loans Received from Other Funds	376,543	-	-	-	-
Accrual Cash Flow Adjustments	-	-	-	-	-
Total Additions to Cash	15,291,247	15,520,600	15,394,465	15,744,200	16,436,200
Expenses:					
Salaries	3,712,633	3,881,100	3,737,500	3,998,100	4,078,000
Benefits	1,539,579	1,651,900	1,609,700	1,751,700	1,867,500
Retiree Insurance & OPEB - Benefits (5135)	557,862	607,800	557,900	576,300	633,900
Retiree Insurance & OPEB - Transfers (5700-60)	-	-	-	-	-
Supplies	1,281,962	1,359,200	1,300,900	1,324,800	1,324,800
Other Services and Charges	1,169,756	1,238,500	1,156,700	1,291,300	1,291,300
Utilities	1,276,123	1,322,800	1,328,000	1,351,900	1,351,900
Transfers	127,984	219,600	219,600	221,700	221,700
Improvements Non-Capital (5535)	17,716	22,500	180,000	55,000	-
Debt Service - Interest Expense (5611)	118,399	204,700	103,200	82,000	70,000
Fiscal Fees	515	500	500	500	500
AMRS Lease Interest Payment (5614)	67,767	62,600	62,600	53,600	44,100
Total Expenses	9,870,294	10,571,200	10,256,600	10,706,900	10,883,700
Capital Related Costs:					
Capital Improvements from Current Revenues (5533)	2,297,168	970,000	450,000	3,180,000	2,980,000
Capital Equipment Purchases (5580)	311,591	385,800	364,300	257,200	344,800
Total Expenses and Capital	12,479,053	11,927,000	11,070,900	14,144,100	14,208,500
Other Uses of Cash:					
Due to Other Funds	29,780	-	19,106	-	-
Loans Repaid to Other Fund	855,033	-	376,543	-	-
Budget Carry-Over for Encumbrances	-	-	-	-	-
Net Project Timing Adjustments	-	-	-	-	-
Bond Principal Payments	1,406,535	1,434,700	1,434,700	965,000	799,000
AMRS Lease Principal Payments	228,061	236,800	236,800	245,800	255,300
Accrual Cash Flow Adjustments	292,784	-	-	-	-
Total Deductions to Cash	15,291,247	13,598,500	13,138,049	15,354,900	15,262,800
Current Year Surplus / (Deficit)	0	1,922,100	2,256,416	389,300	1,173,400
Estimated Year End Cash Balance	0	2,474,700	2,256,416	2,645,716	3,819,116
Budget Reduction Needed		-	-	-	-
Estimated Cash After Budget Reduction	0	2,474,700	2,256,416	2,645,716	3,819,116
Total Reserve Needed (February Debt Payment Due)		290,200	255,200	254,100	258,600

**GAS FUND
CASH PROJECTION - DRAFT BUDGET
PROJECTED 2018 THRU 2020**

08/20/18

	Actual 2017	Budget 2018	Projected 2018	Budget 2019	Projected 2020
Unrestricted Cash (including Debt Serv. Res.)	3,107,463	2,283,977	331,866	2,097,450	959,750
Revenues:					
Metered Gas Revenues:					
Variable Rate	30,362,196	32,885,900	32,707,100	33,272,800	33,105,900
Fixed Rate	3,966,911	3,924,000	4,010,000	4,020,000	4,025,000
Misc. Operating Revenue	1,791,084	1,349,500	1,556,000	1,410,500	1,410,500
Non-Operating Revenues	145,890	115,300	134,300	118,300	118,300
Reimbursement of Capital Improvements	345,994	-	-	-	-
Total Revenues	36,612,074	38,274,700	38,407,400	38,821,600	38,659,700
Other Sources of Cash:					
Due from Other Funds	-	-	6,720	-	-
Loans Repaid by Other Funds	1,222,050	-	1,495,783	-	-
Energy Fund Loan Repayment	150,000	150,000	150,000	150,000	150,000
Special Assessment Principal	7,242	-	6,304	-	-
Accrual Cash Flow Adjustments	-	-	-	-	-
Total Additions to Cash	37,991,366	38,424,700	40,066,207	38,971,600	38,809,700
Expenses:					
Salaries	5,027,310	5,298,500	5,262,600	5,513,900	5,624,200
Benefits	2,032,304	2,224,900	2,234,600	2,408,300	2,566,300
Retiree Insurance & OPEB - Benefits (5135)	898,890	963,300	931,600	1,000,000	1,100,000
Retiree Insurance & OPEB - Transfers (5700-60)	-	-	-	-	-
Supplies	1,215,757	1,098,700	1,005,800	1,141,200	1,141,200
Natural Gas Purchases	18,991,411	21,483,900	20,183,600	20,906,700	20,748,700
Other Services and Charges	1,665,292	1,758,400	1,724,000	1,741,100	1,741,100
In Lieu of Tax	2,184,557	2,406,800	2,528,400	2,670,600	2,709,200
Utilities	43,548	39,000	42,000	40,600	40,600
Transfers	98,909	157,400	157,400	159,500	159,500
Improvements Non-Capital (5535)	53,616	80,000	85,000	29,000	15,000
Debt Service - Interest Expense (5611)	42,164	29,800	29,800	10,100	-
Fiscal Fees	633	600	600	600	600
AMRS Lease Interest Payment (5614)	62,119	57,400	57,400	49,100	40,500
Total Expenses	32,316,511	35,598,700	34,242,800	35,670,700	35,886,900
Capital Related Costs:					
Capital Improvements from Current Revenues (5533)	3,151,981	2,810,000	2,890,000	3,180,000	2,630,000
Capital Improvements that have been Reimbursed	345,994	-	-	-	-
Capital Equipment Purchases (5580)	344,943	466,800	451,400	528,200	444,600
Total Expenses and Capital	36,159,429	38,875,500	37,584,200	39,378,900	38,961,500
Other Uses of Cash:					
Due to Other Funds	14,136	-	19,323	-	-
Loans Advanced to Other Funds	1,495,783	-	-	-	-
Budget Carry-Over for Encumbrances	-	-	-	-	-
Net Project Timing Adjustments	-	-	-	-	-
Bond Principal Payments	902,931	480,000	480,000	505,000	-
AMRS Lease Principal Payments	209,056	217,100	217,100	225,400	234,000
Debt Called	-	-	-	-	-
Accrual Cash Flow Adjustments	1,985,629	-	-	-	-
Total Deductions to Cash	40,766,963	39,572,600	38,300,623	40,109,300	39,195,500
Current Year Surplus / (Deficit)	(2,775,597)	(1,147,900)	1,765,584	(1,137,700)	(385,800)
Estimated Year End Cash Balance	331,866	1,136,077	2,097,450	959,750	573,950
Budget Reduction Needed		-	-	-	-
Estimated Cash After Budget Reduction	331,866	1,136,077	2,097,450	959,750	573,950
Total Reserve Needed (February Debt Payment Due)		652,300	652,300	137,200	137,200

**SANITARY SEWER FUND
CASH PROJECTION - DRAFT BUDGET
PROJECTED 2018 THRU 2020**

08/17/18

	Actual 2017	Budget 2018	Projected 2018	Budget 2019	Projected 2020
Unrestricted Cash (including Debt Serv. Res.)	1,571,255	2,460,996	279,605	1,323,410	1,297,310
Revenues:					
Metered Revenue:					
Variable Revenue	15,772,666	16,342,100	16,155,700	16,409,300	16,409,300
Fixed Revenue	1,940,283	1,932,800	1,934,700	1,936,300	1,938,000
Misc. Operating Revenue	210,977	212,900	240,800	234,800	234,800
Non-Operating Revenues (excluding Capital Grants)	222,642	19,300	26,300	11,300	11,300
Transfer from Clean Water to cover their portion of the Infra System Replacement Fund	70,265	70,300	70,300	70,300	70,300
Other Transfers In	7,450	7,400	7,400	7,400	7,400
Total Revenues	18,224,283	18,584,800	18,435,200	18,669,400	18,671,100
Other Sources of Cash:					
Due from Other Funds	12,844	-	15,662		
Loans Repaid by Other Funds	-		1,495,782		
Special Assessment Principal	203,729	-	163,231		
Accrual Cash Flow Adjustments	-	-			
Total Additions to Cash	18,440,856	18,584,800	20,109,875	18,669,400	18,671,100
Expenses:					
Salaries	2,142,866	2,270,400	2,327,600	2,253,700	2,298,800
Benefits	920,247	1,022,900	1,052,900	1,034,200	1,102,500
Retiree Insurance & OPEB - Benefits (5135)	148,756	153,100	152,000	164,700	181,200
Retiree Insurance & OPEB - Transfers (5700-60)	-	-	-	-	-
Supplies	272,272	351,000	309,300	349,200	349,200
Other Services and Charges	713,040	797,900	724,500	757,200	757,200
WLSSD Treatment Charges (5484)	8,986,192	9,046,900	9,187,400	9,254,200	9,254,200
WLSSD Testing (5485)	216,697	217,000	216,900	217,000	217,000
SSO Grants and Improvements	212,765	280,000	175,000	300,000	300,000
Utilities	168,332	124,800	168,800	128,400	128,400
Transfers	98,909	157,300	157,300	159,300	159,300
Improvements Non-Capital (5535)	19,440	50,000	60,000	80,000	50,000
Debt Service - Interest Expense (5611)	160,317	144,100	140,000	111,200	80,800
Fiscal Fees	1,900	1,900	1,900	1,900	1,900
AMRS Lease Interest Payment (5614)	58,355	53,900	53,900	46,100	38,000
Total Expenses	14,120,089	14,671,200	14,727,500	14,857,100	14,918,500
Capital Related Costs:					
Capital Improvements from Current Revenues (5533)	478,410	1,950,000	1,990,000	1,800,000	1,950,000
Capital Equipment Purchases (5580)	144,769	334,100	330,300	414,800	227,400
Total Expenses and Capital	14,743,267	16,955,300	17,047,800	17,071,900	17,095,900
Other Uses of Cash:					
Due to Other Funds	16,103	-	15,169		
Loans Advanced to Other Funds	1,495,782		-		
Budget Carry-Over for Encumbrances	-	-	-		
Net Project Timing Adjustments	-	-	-		
Infrastructure System Replacement Fund	119,989	119,900	119,900	119,900	119,900
Bond Principal Payments	1,742,977	1,679,300	1,679,300	1,292,000	1,329,300
AMRS Lease Principal Payments	196,386	203,900	203,900	211,700	219,800
Accrual Cash Flow Adjustments	1,418,000	-			
Total Deductions to Cash	19,732,505	18,958,400	19,066,069	18,695,500	18,764,900
Current Year Surplus / (Deficit)	(1,291,650)	(373,600)	1,043,805	(26,100)	(93,800)
Estimated Year End Cash Balance	279,605	2,087,396	1,323,410	1,297,310	1,203,510
Budget Reduction Needed					
Estimated Cash After Budget Reduction	279,605	2,087,396	1,323,410	1,297,310	1,203,510
Total Reserve Needed (February Debt Payment Due)		1,177,900	1,170,100	1,191,600	845,600

**CLEAN WATER FUND
CASH PROJECTION - DRAFT BUDGET
PROJECTED 2018 THRU 2020**

08/17/18

	Actual 2017	Budget 2018	Projected 2018	Budget 2019	Projected 2020
Unrestricted Cash (including Debt Serv. Res.)	542,808	777,608	759,616	1,002,816	878,016
Revenues:					
Clean Water Surcharge	1,617,158	1,615,000	1,620,000	1,620,000	1,622,000
Misc. Operating Revenue	8,572	10,000	12,000	12,000	12,000
Non-Operating Revenues (excluding Captital Grants)	(240)	-	-	-	-
Total Revenues	1,625,490	1,625,000	1,632,000	1,632,000	1,634,000
Other Sources of Cash:					
Accrual Cash Flow Adjustments					
Total Additions to Cash	1,625,490	1,625,000	1,632,000	1,632,000	1,634,000
Expenses:					
Supplies	-	-	-	-	-
Other Services and Charges	9,252	5,600	6,000	7,600	7,600
Grants & Awards	48,000	160,000	32,000	400,000	400,000
Improvements Non-Capital (5535)	-	-	-	-	-
Debt Service - Interest Expense (5611)	137,301	127,100	127,100	110,900	94,400
Transfer to Sewer Fund for Infrastructure System Replacement Fund	70,265	70,300	70,300	70,300	70,300
Other Transfers to Other Funds	-	-	-	-	-
Total Expenses	264,818	363,000	235,400	588,800	572,300
Capital Related Costs:					
Capital Improvements from Current Revenues (5533)	-	-	-	-	-
Capital Equipment Purchases (5580)	-	-	-	-	-
Total Expenses and Capital	264,818	363,000	235,400	588,800	572,300
Other Uses of Cash:					
Budget Carry-Over for Encumbrances	-	-	-	-	-
Bond Principal Payments	1,137,435	1,153,400	1,153,400	1,168,000	1,185,700
Accrual Cash Flow Adjustments	6,430	-	-	-	-
Total Deductions to Cash	1,408,683	1,516,400	1,388,800	1,756,800	1,758,000
Current Year Surplus / (Deficit)	216,808	108,600	243,200	(124,800)	(124,000)
Estimated Year End Cash Balance	759,616	886,208	1,002,816	878,016	754,016
Budget Reduction Needed		-	-	-	-
Estimated Cash After Budget Reduction	759,616	886,208	1,002,816	878,016	754,016
Total Reserve Needed (February Debt Payment Due)		69,600	15,700	16,100	16,400

**STORMWATER FUND
CASH PROJECTION - DRAFT BUDGET
PROJECTED 2018 THRU 2020**

08/17/18

	Actual 2017	Budget 2018	Projected 2018	Budget 2019	Projected 2020
Unrestricted Cash (including Debt Serv. Res.)	94,781	496,262	889,030	883,861	367,761
Revenues:					
Stormwater Revenue	5,254,972	5,255,000	5,255,000	5,260,000	5,260,000
Misc. Operating Revenue	43,300	33,000	33,000	33,000	33,000
Non-Operating Revenues (excluding Capital Grants)	388	5,600	5,600	5,600	5,600
Total Revenues	5,298,660	5,293,600	5,293,600	5,298,600	5,298,600
Other Sources of Cash:					
Due from Other Funds	9,628	-	12,325		
Special Assessment Principal	1,298	-	2,308		
Accrual Cash Flow Adjustments	-	-			
Total Additions to Cash	5,309,587	5,293,600	5,308,233	5,298,600	5,298,600
Expenses:					
Salaries	1,528,038	1,669,600	1,545,500	1,764,700	1,800,100
Benefits	651,632	696,800	668,800	761,100	811,400
Retiree Insurance & OPEB - Benefits (5135)	25,151	27,500	27,400	30,000	33,000
Retiree Insurance & OPEB - Transfers (5700-60)	-	-	-	-	-
Supplies	249,112	291,200	253,100	290,600	290,600
Other Services and Charges	566,454	662,300	604,600	614,100	614,100
Utilities	21,601	26,500	24,900	25,600	25,600
Transfers	519,833	545,100	545,100	547,100	547,100
Improvements Non-Capital (5535)	69,634	175,000	175,000	135,000	245,000
Debt Service - Interest Expense (5611)	21,661	18,200	18,200	13,900	10,600
Fiscal Fees	218	300	200	200	200
Total Expenses	3,653,334	4,112,500	3,862,800	4,182,300	4,377,700
Capital Related Costs:					
Capital Improvements from Current Revenues (5533)	305,128	1,025,000	990,000	1,265,000	1,155,000
Capital Equipment Purchases (5580)	158,162	186,800	198,500	237,400	148,300
Total Expenses and Capital	4,116,624	5,324,300	5,051,300	5,684,700	5,681,000
Other Uses of Cash:					
Due to Other Funds	14,847	-	20,602		
Budget Carry-Over for Encumbrances	-	-			
Net Project Timing Adjustments	-	-			
Bond Principal Payments	228,121	241,500	241,500	130,000	135,000
Accrual Cash Flow Adjustments	155,746	-			
Total Deductions to Cash	4,515,338	5,565,800	5,313,402	5,814,700	5,816,000
Current Year Surplus / (Deficit)	794,249	(272,200)	(5,169)	(516,100)	(517,400)
Estimated Year End Cash Balance	889,030	224,062	883,861	367,761	(149,639)
Budget Reduction Needed		-	-	-	293,939
Estimated Cash After Budget Reduction	889,030	224,062	883,861	367,761	144,300
Total Reserve Needed (February Debt Payment Due)		137,600	137,600	141,300	144,300