

RESOLUTION NO. 17PUC-005

**RESOLUTION APPROVING AND RECOMMENDING 2018
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 and stormwater utility; and

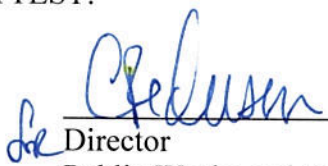
WHEREAS, the DPUC has reviewed the attached budget for said utilities for the year 2018 and determined that it is reasonable and appropriate to meet the needs of the respective utilities, of the City and of the customers of the utilities.

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 and stormwater utility for the budget year 2018.

Approved by the DPUC: Sept. 19, 2017
(date)

Submitted to City Council: Sept. 20, 2017
(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 2018 budget for the City's water utility, natural gas utility, sanitary sewer utility and stormwater utility.

WATER FUND
CASH PROJECTION - DRAFT BUDGET
PROJECTED 2017 THRU 2019

08/08/17

	Actual 2016	Budget 2017	Projected 2017	Budget 2018	Projected 2019
Unrestricted Cash (including Debt Serv. Res.)	483,951	512,510	-	552,600	2,474,700
Revenues:					
Metered Water Sales (4810)	10,689,814	11,218,000	10,838,000	11,502,000	12,126,500
Water Sales for Resale (4811)	1,259,757	1,325,900	1,226,500	1,315,000	1,402,400
Fixed Rate Charges (4831)	2,400,981	2,409,500	2,400,000	2,403,000	2,406,000
Misc. Operating Revenue	138,204	130,000	135,800	135,000	135,000
Non-Operating Revenues	186,151	169,500	198,200	165,600	165,600
Total Revenues	14,674,907	15,252,900	14,798,500	15,520,600	16,235,500
Other Sources of Cash:					
Due from Other Funds	115,828	-	135,400	-	-
Special Assessment Principal	146,422	-	14,400	-	-
Interfund Loan Received	855,033	-	-	-	-
Accrual Cash Flow Adjustments	-	-	-	-	-
Total Additions to Cash	15,792,189	15,252,900	14,948,300	15,520,600	16,235,500
Expenses:					
Salaries	3,593,745	3,838,300	3,673,700	3,881,100	3,919,900
Benefits	1,416,027	1,616,100	1,615,600	1,651,900	1,684,900
Retiree Insurance & OPEB - Benefits (5135)	520,370	535,500	535,500	607,800	607,800
Retiree Insurance & OPEB - Transfers (5700-60)	68,000	-	-	-	-
Supplies	1,201,641	1,406,900	1,321,600	1,359,200	1,359,200
Other Services and Charges	1,271,042	1,247,200	1,183,600	1,238,500	1,199,500
Utilities	1,242,537	1,261,300	1,270,400	1,322,800	1,322,800
Transfers	179,385	244,700	218,000	219,600	219,600
Improvements Non-Capital (5535)	99,107	-	-	22,500	-
Debt Service - Interest Expense (5611)	141,514	127,700	127,600	204,700	304,100
Fiscal Fees	726	900	500	500	500
AMRS Lease Interest Payment (5614)	76,302	71,300	71,300	62,600	53,600
Total Expenses	9,810,398	10,349,900	10,017,800	10,571,200	10,671,900
Capital Related Costs:					
Capital Improvements from Current Revenues (5533)	3,981,068	2,344,000	2,327,000	970,000	3,255,000
Capital Equipment Purchases (5580)	338,839	439,800	446,600	385,800	364,800
Total Expenses and Capital	14,130,305	13,133,700	12,791,400	11,927,000	14,291,700
Other Uses of Cash:					
Due to Other Funds	17,891	-	29,780	-	-
Interfund Loan Payables	-	-	855,033	-	-
Budget Carry-Over for Encumbrances	-	-	-	-	-
Net Project Timing Adjustments	-	-	-	-	-
Bond Principal Payments	1,445,235	1,509,500	1,406,500	1,434,700	1,149,400
AMRS Lease Principal Payments	219,657	228,100	228,100	236,800	245,800
Accrual Cash Flow Adjustments	463,053	-	-	-	-
Total Deductions to Cash	16,276,141	14,871,300	15,310,813	13,598,500	15,686,900
Current Year Surplus / (Deficit)	(483,951)	381,600	(362,513)	1,922,100	548,600
Estimated Year End Cash Balance	0	894,110	(362,513)	2,474,700	3,023,300
Budget Reduction Needed		-	915,113	-	-
Estimated Cash After Budget Reduction	0	894,110	552,600	2,474,700	3,023,300
Total Reserve Needed (February Debt Payment Due)		552,600	552,600	290,200	581,800

GAS FUND
CASH PROJECTION - DRAFT BUDGET
PROJECTED 2017 THRU 2019

08/08/17

	Actual 2016	Budget 2017	Projected 2017	Budget 2018	Projected 2019
Unrestricted Cash (including Debt Serv. Res.)	5,292,734	7,465,656	3,107,463	2,283,977	1,136,077
Revenues:					
Metered Gas Revenues:					
Variable Rate	25,799,885	31,774,100	29,136,900	32,885,900	32,523,700
Fixed Rate	3,864,079	3,928,800	3,912,000	3,924,000	3,924,000
Misc. Operating Revenue	1,543,996	1,386,200	1,334,500	1,349,500	1,349,500
Non-Operating Revenues	222,531	127,200	123,600	115,300	115,300
Reimbursement of Capital Improvements	480,350	-	243,900	-	-
Total Revenues	31,910,841	37,216,300	34,750,900	38,274,700	37,912,500
Other Sources of Cash:					
Due from Other Funds	29,794	-	-	-	-
Interfund Loans Receivable	-	-	1,222,050	-	-
Energy Fund Loan Repayment	150,000	150,000	150,000	150,000	150,000
Special Assessment Principal	8,309	-	900	-	-
Accrual Cash Flow Adjustments	-	-	-	-	-
Total Additions to Cash	32,098,944	37,366,300	36,123,850	38,424,700	38,062,500
Expenses:					
Salaries	4,664,523	5,003,800	4,964,400	5,298,500	5,351,500
Benefits	1,800,167	2,084,800	2,105,100	2,224,900	2,269,400
Retiree Insurance & OPEB - Benefits (5135)	874,156	916,800	899,100	963,300	963,300
Retiree Insurance & OPEB - Transfers (5700-60)	-	-	-	-	-
Supplies	1,121,731	1,155,300	1,257,200	1,098,700	1,098,700
Natural Gas Purchases	15,794,076	20,930,900	18,200,000	21,483,900	21,159,800
Other Services and Charges	1,428,548	1,717,600	1,614,400	1,758,400	1,723,400
In Lieu of Tax	2,484,583	2,357,800	2,184,600	2,406,800	2,671,200
Utilities	41,321	38,500	44,900	39,000	39,000
Transfers	200,211	182,500	156,000	157,400	157,400
Improvements Non-Capital (5535)	121,102	110,000	90,200	80,000	110,000
Debt Service - Interest Expense (5611)	73,457	55,300	55,300	29,800	10,100
Fiscal Fees	579	500	600	600	600
AMRS Lease Interest Payment (5614)	69,944	65,400	65,400	57,400	49,100
Total Expenses	28,674,397	34,619,200	31,637,200	35,598,700	35,603,500
Capital Related Costs:					
Capital Improvements from Current Revenues (5533)	2,467,803	3,814,500	3,499,100	2,810,000	2,135,000
Capital Improvements that have been Reimbursed	480,350	-	243,900	-	-
Capital Equipment Purchases (5580)	184,697	448,600	441,000	466,800	455,200
Total Expenses and Capital	31,807,247	38,882,300	35,821,200	38,875,500	38,193,700
Other Uses of Cash:					
Due to Other Funds	58,872	-	14,136	-	-
Loans Advanced to Other Funds	1,222,050	-	-	-	-
Budget Carry-Over for Encumbrances	-	-	-	-	-
Net Project Timing Adjustments	-	-	-	-	-
Bond Principal Payments	869,955	902,900	902,900	480,000	505,000
AMRS Lease Principal Payments	201,352	209,100	209,100	217,100	225,400
Debt Called	-	-	-	-	-
Accrual Cash Flow Adjustments	124,740	-	-	-	-
Total Deductions to Cash	34,284,216	39,994,300	36,947,336	39,572,600	38,924,100
Current Year Surplus / (Deficit)	(2,185,272)	(2,628,000)	(823,486)	(1,147,900)	(861,600)
Estimated Year End Cash Balance	3,107,463	4,837,656	2,283,977	1,136,077	274,477
Budget Reduction Needed		-	-	-	-
Estimated Cash After Budget Reduction	3,107,463	4,837,656	2,283,977	1,136,077	274,477
Total Reserve Needed (February Debt Payment Due)		636,900	636,900	652,300	137,200

SANITARY SEWER FUND
CASH PROJECTION - DRAFT BUDGET
PROJECTED 2017 THRU 2019

08/14/17
REVISED

	Actual 2016	Budget 2017	Projected 2017	Budget 2018	Projected 2019
Unrestricted Cash (including Debt Serv. Res.)	1,593,085	2,479,607	1,571,255	2,460,996	2,087,396
Revenues:					
Metered Revenue:					
Variable Revenue	15,757,173	16,256,000	15,970,700	16,342,100	16,342,100
Fixed Revenue	1,931,460	1,929,100	1,930,300	1,932,800	1,932,800
Misc. Operating Revenue	226,380	206,400	185,100	212,900	212,900
Non-Operating Revenues (excluding Capital Grants)	1,142,748	29,300	236,600	19,300	19,300
Transfer from Clean Water to cover their portion of the Infra System Replacement Fund	70,265	-	70,300	70,300	70,300
Transfer from Clean Water to cover their portion of the Infra System Replacement Fund (for prior years)	185,201	-	-	-	-
Other Transfers In	14,900	14,900	7,400	7,400	7,400
Total Revenues	19,328,127	18,435,700	18,400,400	18,584,800	18,584,800
Other Sources of Cash:					
Due from Other Funds	37,319	-	12,844	-	-
Special Assessment Principal	278,503	-	19,500	-	-
Accrual Cash Flow Adjustments	-	-	-	-	-
Total Additions to Cash	19,643,949	18,435,700	18,432,744	18,584,800	18,584,800
Expenses:					
Salaries	2,040,325	2,150,400	2,115,500	2,270,400	2,293,100
Benefits	806,840	884,100	944,500	1,022,900	1,043,400
Retiree Insurance & OPEB - Benefits (5135)	164,612	180,700	180,700	153,100	153,100
Retiree Insurance & OPEB - Transfers (5700-60)	-	-	-	-	-
Supplies	309,952	357,700	313,400	351,000	351,000
Other Services and Charges	791,406	804,300	754,500	797,900	762,900
WLSSD Treatment Charges	8,791,458	8,783,300	8,986,200	9,046,900	9,046,900
WLSSD Testing	216,697	217,000	216,700	217,000	217,000
SSO Grants and Improvements	248,350	360,000	248,400	280,000	280,000
Utilities	113,193	123,700	114,300	124,800	124,800
Transfers	134,257	182,400	156,000	157,300	157,300
Improvements Non-Capital (5535)	111,772	50,000	36,800	50,000	50,000
Debt Service - Interest Expense (5611)	196,029	180,500	175,700	144,100	111,200
Fiscal Fees	2,238	2,600	1,900	1,900	1,900
AMRS Lease Interest Payment (5614)	65,705	61,400	61,400	53,900	46,100
Total Expenses	13,992,834	14,338,100	14,306,000	14,671,200	14,638,700
Capital Related Costs:					
Capital Improvements from Current Revenues (5533)	3,022,746	1,950,000	1,016,000	1,950,000	2,450,000
Capital Equipment Purchases (5580)	87,539	278,700	145,600	334,100	209,500
Total Expenses and Capital	17,103,119	16,566,800	15,467,600	16,955,300	17,298,200
Other Uses of Cash:					
Due to Other Funds	8,890	-	16,103	-	-
Budget Carry-Over for Encumbrances	-	-	-	-	-
Net Project Timing Adjustments	-	-	-	-	-
Infrastructure System Replacement Fund	163,219	120,000	119,900	119,900	119,900
Bond Principal Payments	1,557,674	1,743,000	1,743,000	1,679,300	1,292,000
AMRS Lease Principal Payments	189,149	196,400	196,400	203,900	211,700
Accrual Cash Flow Adjustments	643,729	-	-	-	-
Total Deductions to Cash	19,665,780	18,626,200	17,543,003	18,958,400	18,921,800
Current Year Surplus / (Deficit)	(21,831)	(190,500)	889,741	(373,600)	(337,000)
Estimated Year End Cash Balance	1,571,255	2,289,107	2,460,996	2,087,396	1,750,396
Budget Reduction Needed	-	-	-	-	-
Estimated Cash After Budget Reduction	1,571,255	2,289,107	2,460,996	2,087,396	1,750,396
Total Reserve Needed (February Debt Payment Due)		1,484,900	1,484,900	1,177,900	1,197,800

**CLEAN WATER FUND
CASH PROJECTION - DRAFT BUDGET
PROJECTED 2017 THRU 2019**

08/08/17

	Actual 2016	Budget 2017	Projected 2017	Budget 2018	Projected 2019
Unrestricted Cash (including Debt Serv. Res.)	478,491	746,279	542,808	777,643	886,243
Revenues:					
Clean Water Surcharge	1,613,187	1,605,000	1,612,000	1,615,000	1,615,000
Misc. Operating Revenue	13,190	10,000	7,500	10,000	10,000
Non-Operating Revenues (excluding Capital Grants)	(3,675)	-	-	-	-
Total Revenues	1,622,701	1,615,000	1,619,500	1,625,000	1,625,000
Other Sources of Cash:					
Accrual Cash Flow Adjustments	4,090	-	-	-	-
Total Additions to Cash	1,626,791	1,615,000	1,619,500	1,625,000	1,625,000
Expenses:					
Supplies	-	-	-	-	-
Other Services and Charges	5,126	5,900	6,000	5,600	5,600
Grants & Awards	27,912	160,000	28,000	160,000	28,000
Improvements Non-Capital (5535)	-	-	-	-	-
Debt Service - Interest Expense (5611)	153,089	143,100	143,000	127,100	110,900
Transfer to Sewer Fund for Infrastructure System Replacement Fund	70,265	-	70,265	70,265	70,265
Transfer to Sewer Fund for Infra System Replace Fund (Prior Years)	185,201	-	-	-	-
Other Transfers to Other Funds	-	-	-	35	35
Total Expenses	441,593	309,000	247,265	363,000	214,800
Capital Related Costs:					
Capital Improvements from Current Revenues (5533)	-	-	-	-	-
Capital Equipment Purchases (5580)	-	-	-	-	-
Total Expenses and Capital	441,593	309,000	247,265	363,000	214,800
Other Uses of Cash:					
Budget Carry-Over for Encumbrances	-	-	-	-	-
Bond Principal Payments	1,120,881	1,137,400	1,137,400	1,153,400	1,168,000
Accrual Cash Flow Adjustments	-	-	-	-	-
Total Deductions to Cash	1,562,474	1,446,400	1,384,665	1,516,400	1,382,800
Current Year Surplus / (Deficit)	64,317	168,600	234,835	108,600	242,200
Estimated Year End Cash Balance	542,808	914,879	777,643	886,243	1,128,443
Budget Reduction Needed		-	-	-	-
Estimated Cash After Budget Reduction	542,808	914,879	777,643	886,243	1,128,443
Total Reserve Needed (February Debt Payment Due)		77,100	77,100	69,600	62,000

**STORMWATER FUND
CASH PROJECTION - DRAFT BUDGET
PROJECTED 2017 THRU 2019**

08/08/17

	Actual 2016	Budget 2017	Projected 2017	Budget 2018	Projected 2019
Unrestricted Cash (including Debt Serv. Res.)	1,642,193	1,068,898	94,781	496,262	224,062
Revenues:					
Stormwater Revenue	5,213,783	5,240,000	5,250,000	5,255,000	5,255,000
Misc. Operating Revenue	35,415	31,000	32,100	33,000	33,000
Non-Operating Revenues (excluding Capital Grants)	18,773	11,200	5,600	5,600	5,600
Total Revenues	5,267,971	5,282,200	5,287,700	5,293,600	5,293,600
Other Sources of Cash:					
Due from Other Funds	9,221	-	9,628	-	-
Special Assessment Principal	476	-	300	-	-
Accrual Cash Flow Adjustments	-	-	-	-	-
Total Additions to Cash	5,277,668	5,282,200	5,297,628	5,293,600	5,293,600
Expenses:					
Salaries	1,655,016	1,691,600	1,571,600	1,669,600	1,686,300
Benefits	659,271	692,700	662,500	696,800	710,700
Retiree Insurance & OPEB - Benefits (5135)	14,738	23,900	24,100	27,500	27,500
Retiree Insurance & OPEB - Transfers (5700-60)	91,000	-	-	-	-
Supplies	337,206	287,400	245,900	291,200	291,200
Other Services and Charges	616,850	732,700	681,200	662,300	627,300
Utilities	19,174	27,300	19,700	26,500	26,500
Transfers	522,933	570,200	544,000	545,100	545,100
Improvements Non-Capital (5535)	213,391	165,000	188,400	175,000	185,000
Debt Service - Interest Expense (5611)	26,997	24,000	24,000	18,200	13,900
Fiscal Fees	432	600	300	300	300
Total Expenses	4,157,007	4,215,400	3,961,700	4,112,500	4,113,800
Capital Related Costs:					
Capital Improvements from Current Revenues (5533)	2,345,763	635,000	540,000	1,025,000	1,215,000
Capital Equipment Purchases (5580)	42,009	147,000	151,500	186,800	180,000
Total Expenses and Capital	6,544,780	4,997,400	4,653,200	5,324,300	5,508,800
Other Uses of Cash:					
Due to Other Funds	10,592	-	14,847	-	-
Budget Carry-Over for Encumbrances	-	-	-	-	-
Net Project Timing Adjustments	-	-	-	-	-
Bond Principal Payments	109,694	228,100	228,100	241,500	130,000
Accrual Cash Flow Adjustments	160,015	-	-	-	-
Total Deductions to Cash	6,825,080	5,225,500	4,896,147	5,565,800	5,638,800
Current Year Surplus / (Deficit)	(1,547,412)	56,700	401,481	(272,200)	(345,200)
Estimated Year End Cash Balance	94,781	1,125,598	496,262	224,062	(121,138)
Budget Reduction Needed		-	-	-	262,438
Estimated Cash After Budget Reduction	94,781	1,125,598	496,262	224,062	141,300
Total Reserve Needed (February Debt Payment Due)		252,100	252,100	137,600	141,300