

RESOLUTION NO. 22PUC-003

**RESOLUTION APPROVING AND RECOMMENDING 2023
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

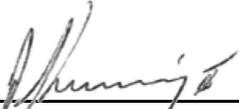
WHEREAS, the DPUC has reviewed the attached budget for said utilities for the year 2023 and determined that it is reasonable and appropriate to meet the needs of the respective utilities, of the City and of the customers of the utilities.

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 2023.

Approved by the DPUC: 10/18/2022
(date)

Submitted to City Council: 10/19/2022
(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 2023 budget for the City's water utility, natural gas utility, sanitary sewer utility, clean water utility, and stormwater utility.

Summary of Revenues, Expenditures
and Change in Cash

2023 Public Works and Utilities Proposed Budget



| | 2023 Budget | 2022 Budget | % Change | Notes: |
|---------------------------------------|----------------|---------------|-----------|---|
| Water | | | | |
| Rev | \$ 16,984,000 | \$ 15,682,300 | 8.30% | 2023 Capital Expenses \$3,434,700 |
| Exp | \$ 17,535,000 | \$ 16,441,400 | 6.65% | 2023 Depreciation \$2,017,000 |
| Change in Cash* | \$ 27,500 | \$ (474,700) | 105.79% | |
| Est. Year End Cash Balance | \$ 6,049,630 | | | |
| Water Construction Bond (511)* | | | | |
| Rev | \$ 13,500,000 | | | * Accounts for PFA Grant/Loan for Lead Line Replacement and Grant for Resiliency at Water Plant |
| Exp | \$ 13,500,000 | | | |
| Gas | | | | |
| Rev | \$ 55,464,900 | \$ 40,285,500 | 37.68% | 2023 Capital Expenses \$3,330,200 |
| Exp | \$ 56,275,000 | \$ 40,902,400 | 37.58% | 2023 Depreciation \$1,752,000 |
| Change in Cash* | \$ 680,000 | \$ 813,100 | -16.37% | |
| Est. Year End Cash Balance | \$ 4,915,570 | | | |
| Sanitary | | | | |
| Rev | \$ 19,886,400 | \$ 19,237,700 | 3.37% | 2023 Capital Expenses \$2,389,100 |
| Exp | \$ 20,074,000 | \$ 19,834,500 | 1.21% | 2023 Depreciation \$1,646,200 |
| Change in Cash* | \$ 737,700 | \$ 97,300 | 658.17% | |
| Est. Year End Cash Balance | \$ 5,245,636 | | | |
| Clean Water | | | | |
| Rev | \$ 1,658,000 | \$ 1,652,000 | 0.36% | |
| Exp | \$ 1,030,400 | \$ 1,106,100 | -6.84% | 2023 Depreciation \$566,900 |
| Change in Cash* | \$ 68,700 | \$ (46,400) | 248.06% | |
| Est. Year End Cash Balance | \$ 969,281 | | | |
| Stormwater | | | | |
| Rev | \$ 6,182,800 | \$ 5,067,100 | 22.02% | 2023 Capital Expenses \$2,398,100 |
| Exp | \$ 7,847,600 | \$ 5,435,950 | 44.36% | 2023 Depreciation \$516,300 |
| Change in Cash* | \$ (1,148,500) | \$ 11,700 | -9916.24% | |
| Est. Year End Cash Balance | \$ 2,932,421 | | | |

Revenues

2023 Public Works and Utilities Proposed Budget



| Fund: 510 Water | 2023 Dept Submission | 2022 Adpoted Budget | % Change |
|------------------------------|------------------------|------------------------|--------------|
| 01 - Operating Revenues | \$16,821,000.00 | \$15,523,300.00 | 8.36% |
| 02 - Non-Operating Revenues | \$18,000.00 | \$14,000.00 | 28.57% |
| 30 - Intergovernmental | \$0.00 | \$0.00 | |
| 70 - Investment Income | \$0.00 | \$0.00 | |
| 75 - Miscellaneous | \$10,000.00 | \$10,000.00 | 0.00% |
| 80 - Other Financing Sources | \$135,000.00 | \$135,000.00 | 0.00% |
| Fund Total: Water | \$16,984,000.00 | \$15,682,300.00 | 8.30% |

Last year of approved rate increase

| Fund: 511 Water Construction Bond | |
|--|------------------------|
| 02- Non-Operating Revenues | \$13,500,000.00 |
| Fund Total: Water Construction Bond | \$13,500,000.00 |

PFA Loan/Grant & Resiliency Grant

| Fund: 520 Gas | | | |
|------------------------------|------------------------|------------------------|---------------|
| 01 - Operating Revenues | \$55,364,400.00 | \$40,140,900.00 | 37.93% |
| 02 - Non-Operating Revenues | \$100,000.00 | \$105,000.00 | -4.76% |
| 30 - Intergovernmental | \$0.00 | \$0.00 | 0.00% |
| 70 - Investment Income | \$0.00 | \$0.00 | 0.00% |
| 75 - Miscellaneous | \$500.00 | \$600.00 | -16.67% |
| 80 - Other Financing Sources | \$0.00 | \$0.00 | - |
| Fund Total: Gas | \$55,464,900.00 | \$40,246,500.00 | 37.81% |

Increased purchase gas cost

| Fund: 530 Sewer | | | |
|------------------------------|------------------------|------------------------|--------------|
| 01 - Operating Revenues | \$19,871,800.00 | \$19,046,900.00 | 4.33% |
| 02 - Non-Operating Revenues | \$3,000.00 | \$120,000.00 | -97.50% |
| 30 - Intergovernmental | \$0.00 | \$0.00 | |
| 70 - Investment Income | \$0.00 | \$0.00 | |
| 75 - Miscellaneous | \$300.00 | \$500.00 | -40.00% |
| 80 - Other Financing Sources | \$11,300.00 | \$70,300.00 | -83.93% |
| Fund Total: Sewer | \$19,886,400.00 | \$19,237,700.00 | 3.37% |

Anticipated 3.5% rate increase

Revenues

2023 Public Works and Utilities Proposed Budget



| Fund: 532 Clean Water Surcharge Fund | 2023 Dept Submission | 2022 Amended Budget | % Change | |
|---|-------------------------|------------------------|---------------|--------------------------------------|
| 01 - Operating Revenues | \$1,658,000.00 | \$1,652,000.00 | 0.36% | |
| 02 - Non-Operating Revenues | \$0.00 | \$0.00 | | |
| 30 - Intergovernmental | \$0.00 | \$0.00 | | |
| 70 - Investment Income | \$0.00 | \$0.00 | | |
| 80 - Other Financing Sources | \$0.00 | \$0.00 | | |
| Fund Total: Clean Water Surcharge Fund | \$1,658,000.00 | \$1,652,000.00 | 0.36% | |
| Fund: 535 Stormwater | | | | |
| 01 - Operating Revenues | \$6,162,800.00 | \$5,047,100.00 | 22.11% | Rate increase effect, ERU Assumption |
| 02 - Non-Operating Revenues | \$1,000.00 | \$1,000.00 | 0.00% | |
| 20 - Licenses and Permits | \$16,000.00 | \$16,000.00 | 0.00% | |
| 30 - Intergovernmental | \$0.00 | \$0.00 | 0.00% | |
| 70 - Investment Income | \$0.00 | \$0.00 | | |
| 75 - Miscellaneous | \$3,000.00 | \$3,000.00 | 0.00% | |
| 80 - Other Financing Sources | \$0.00 | \$0.00 | | |
| Fund Total: Stormwater | \$6,182,800.00 | \$5,067,100.00 | 22.02% | |
| <hr/> | | | | |
| Net Grand Totals: | \$113,676,100.00 | \$81,885,600.00 | 38.82% | |

Expenditures

2023 Public Works and Utilities Proposed Budget



| | | <u>2023 Proposed</u> | <u>2022 Adopted</u> | <u>%</u> | |
|--|-------------------------------------|----------------------|----------------------|----------------------|--|
| | | <u>Budget</u> | <u>Budget</u> | <u>Change</u> | <u>Key Comments</u> |
| <u>510- Water</u> | 1900 Director's Office | \$ 138,200 | \$ 108,200 | 27.73% | Moved Project Coordinator from 1945 |
| | 1905 Capital (incl deprec/debt svc) | \$ 5,707,900 | \$ 5,545,100 | 2.94% | |
| | 1915 Utility General Expense | \$ 1,610,100 | \$ 1,591,400 | 1.18% | |
| | 1930 Engineering | | | | |
| | 2330 Utility Engineering | \$ 979,000 | \$ 736,900 | 32.85% | Salary & Benefits + software |
| | 1940 Customer Service | | | | |
| | 2400 Customer Accounts | \$ 594,900 | \$ 535,400 | 11.11% | |
| | 2410 Service | \$ 1,067,200 | \$ 929,100 | 14.86% | Cost of supplies |
| | 1945 Utility Operations | \$ 3,882,800 | \$ 3,768,100 | 3.04% | Cost of supplies |
| | 1955 Water Treatment & Pumping | \$ 3,554,900 | \$ 3,227,200 | 10.15% | Cost of supplies |
| | 510- Water Fund Total | | \$ 17,535,000 | \$ 16,441,400 | 6.65% |
| | | | | | |
| <u>511- Water Construction Bond</u> | | | | | |
| | Capital Improvements | \$ 13,500,000 | | | Lead Line Replacement & Water Plant Resiliency project |
| 511- Water Construction Bond Fund Total | | \$ 13,500,000 | | | |
| | | | | | |
| <u>520- Gas</u> | 1900 Director's Office | \$ 158,900 | \$ 127,600 | 24.53% | Moved Project Coordinator from 1945 |
| | 1905 Capital (incl deprec/debt svc) | \$ 5,131,100 | \$ 4,711,500 | 8.91% | |
| | 1915 Utility General Expense | \$ 6,155,300 | \$ 5,427,400 | 13.41% | |
| | 1930 Engineering | | | | |
| | 2330 Utility Engineering | \$ 1,694,700 | \$ 1,535,300 | 10.38% | Salary & Benefits + software |
| | 1940 Customer Service | | | | |
| | 2400 Customer Accounts | \$ 1,089,300 | \$ 1,042,000 | 4.54% | |
| | 2410 Service | \$ 2,955,400 | \$ 2,772,400 | 6.60% | |
| | 2420 Servicing Appliance | \$ 1,617,600 | \$ 1,373,900 | 17.74% | Cost of supplies |
| | 2430 Information and Cons | \$ 231,200 | \$ 227,100 | 1.81% | |
| | 2440 Conservation Improve | \$ 226,900 | \$ 221,900 | 2.25% | |
| | 1945 Utility Operations | \$ 2,347,900 | \$ 2,235,700 | 5.02% | |
| | 1960 Natural Gas | \$ 34,666,700 | \$ 21,627,600 | 60.29% | Expected Gas Cost Increase |
| | 520- Gas Fund Total | | \$ 56,275,000 | \$ 41,302,400 | 36.25% |

Expenditures

2023 Public Works and Utilities Proposed Budget



| | | <u>2023 Proposed</u> | <u>2022 Adopted</u> | <u>%</u> | |
|-----------------------------------|-------------------------------------|-----------------------|----------------------|---------------|---------------------------------------|
| | | <u>Budget</u> | <u>Budget</u> | <u>Change</u> | <u>Key Comments</u> |
| <u>530- Sewer</u> | 1900 Director's Office | \$ 133,100 | \$ 103,400 | 28.72% | Moved Project Coordinator from 1945 |
| | 1905 Capital (incl deprec/debt svc) | \$ 4,098,100 | \$ 4,328,500 | -5.32% | |
| | 1915 Utility General Expense | \$ 762,000 | \$ 748,100 | 1.86% | |
| | 1930 Engineering | | | | |
| | 2330 Utility Engineering | \$ 756,100 | \$ 715,900 | 5.62% | |
| | 1940 Customer Service | | | | |
| | 2400 Customer Accounts | \$ 446,100 | \$ 434,900 | 2.58% | |
| | 1945 Utility Operations | \$ 2,651,900 | \$ 2,651,000 | 0.03% | Moved positions to 1970 |
| | 1970 Inflow & Infiltration | \$ 1,019,300 | \$ 894,200 | 13.99% | Salary & Benefit increases |
| | 1965 Wastewater Treatment | \$ 10,207,400 | \$ 9,958,500 | 2.50% | |
| 530- Sewer Fund Total | | \$ 20,074,000 | \$ 19,834,500 | 1.21% | |
| <u>532- Cleanwater</u> | | \$ 1,030,400 | \$ 1,106,100 | -6.84% | |
| 532- Cleanwater Fund Total | | \$ 1,030,400 | \$ 1,106,100 | -6.84% | |
| <u>535- Stormwater</u> | 1900 Director's Office | \$ 133,000 | \$ 103,300 | 28.75% | Moved Project Coordinator from 1945 |
| | 1905 Capital (incl deprec/debt svc) | \$ 2,950,700 | \$ 1,180,000 | 150.06% | Increased projects with rate increase |
| | 1915 Utility General Expense | \$ 730,300 | \$ 537,000 | 36.00% | Anticipated Litigation Cost |
| | 1930 Engineering | | | | |
| | 2330 Utility Engineering | \$ 944,300 | \$ 834,100 | 13.21% | |
| | 1940 Customer Service | | | | |
| | 2400 Customer Accounts | \$ 311,200 | \$ 282,500 | 10.16% | |
| | 1945 Utility Operations | \$ 2,778,100 | \$ 2,493,300 | 11.42% | Cost of supplies |
| 535- Stormwater Fund Total | | \$ 7,847,600 | \$ 5,430,200 | 44.52% | |
| Grand Total Utility Funds | | \$ 116,262,000 | \$ 84,114,600 | 38.22% | |