

**RESOLUTION NO. 15PUC-006**

**RESOLUTION APPROVING AND RECOMMENDING 2016  
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 the stormwater utility; and

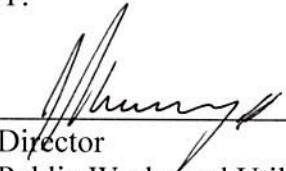
WHEREAS, the DPUC has reviewed the attached budget for said utilities for the year 2016 and determined that it is reasonable and appropriate to meet the needs of the respective utilities, of the City and of the customers of the utilities.

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 2016.

Approved by the DPUC: Sept. 15, 2015  
(date)

Submitted to City Council: Sept. 16, 2015  
(where appropriate) (date)

ATTEST:

  
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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 2016 budget for the City's water utility, natural gas utility, sanitary sewer utility and stormwater utility.

**WATER FUND**  
**CASH PROJECTION - DRAFT BUDGET**  
**PROJECTED 2015 THRU 2017**

08/14/15

	Actual 2014	Budget 2015	Projected 2015	Budget 2016	Projected 2017
<b>Unrestricted Cash (including Debt Serv. Res.)</b>	<b>1,021,940</b>	<b>703,500</b>	<b>500,253</b>	<b>701,300</b>	<b>560,200</b>
<b>Revenues:</b>					
Metered Water Sales (4810)	10,524,394	11,048,300	10,682,600	10,709,800	10,709,800
Water Sales for Resale (4811)	1,308,121	1,308,300	1,232,100	1,256,200	1,256,200
Fixed Rate Charges (4831)	2,385,423	2,395,100	2,400,000	2,405,200	2,405,200
Misc. Operating Revenue	321,458	266,000	145,000	139,000	139,000
Non-Operating Revenues	93,397	41,200	183,500	181,600	181,600
<b>Total Revenues</b>	<b>14,632,793</b>	<b>15,058,900</b>	<b>14,643,200</b>	<b>14,691,800</b>	<b>14,691,800</b>
<b>Other Sources of Cash:</b>					
Due from Other Funds	2,726	-	30,500	-	-
Special Assessment Principal	137,330	149,300	137,300	137,300	137,300
Accrual Cash Flow Adjustments	354,941	-	-	-	-
<b>Total Additions to Cash</b>	<b>15,127,791</b>	<b>15,208,200</b>	<b>14,811,000</b>	<b>14,829,100</b>	<b>14,829,100</b>
<b>Expenses:</b>					
Salaries	3,547,669	3,625,100	3,472,500	3,586,100	3,586,100
Benefits	1,435,031	1,434,200	1,389,200	1,423,800	1,423,800
Retiree Insurance & OPEB - Benefits (5135)	528,653	550,600	545,900	552,600	552,600
Retiree Insurance & OPEB - Transfers (5700-60)	120,000	104,000	104,000	68,000	68,000
Supplies	1,359,759	1,375,600	1,264,200	1,417,900	1,417,900
Other Services and Charges	1,320,199	1,266,100	1,237,800	1,350,200	1,236,200
Utilities	1,307,206	1,249,900	1,242,700	1,255,200	1,255,200
Transfers	233,656	340,200	226,200	222,900	222,900
Improvements Non-Capital (5535)	247,873	62,500	32,900	-	55,000
Debt Service - Interest Expense (5611)	176,934	198,600	188,600	170,300	142,800
Fiscal Fees	7,069	600	500	500	500
AMRS Lease Interest Payment (5614)	92,441	84,500	84,500	76,300	67,800
<b>Total Expenses</b>	<b>10,376,488</b>	<b>10,291,900</b>	<b>9,789,000</b>	<b>10,123,800</b>	<b>10,028,800</b>
<b>Capital Related Costs:</b>					
Capital Improvements from Current Revenues (5533)	1,352,732	1,835,000	3,030,100	2,859,700	3,135,000
Infrastructure Replacement (5536)	1,917,676	-	1,600	-	-
Capital Equipment Purchases (5580)	313,466	292,900	288,000	320,000	292,800
<b>Total Expenses and Capital</b>	<b>13,960,362</b>	<b>12,419,800</b>	<b>13,108,700</b>	<b>13,303,500</b>	<b>13,456,600</b>
<b>Other Uses of Cash:</b>					
Due to Other Funds	112,338	-	23,300	-	-
Interfund Loan Payables	-	-	-	-	-
Budget Carry-Over for Encumbrances	-	-	-	-	-
Net Project Timing Adjustments	-	-	-	-	-
Bond Principal Payments	1,373,010	1,548,700	1,548,700	1,574,400	1,463,500
AMRS Lease Principal Payments	203,767	211,600	211,600	219,700	228,100
Accrual Cash Flow Adjustments	-	-	-	-	-
<b>Total Deductions to Cash</b>	<b>15,649,477</b>	<b>14,180,100</b>	<b>14,892,300</b>	<b>15,097,600</b>	<b>15,148,200</b>
<b>Current Year Surplus / (Deficit)</b>	<b>(521,687)</b>	<b>1,028,100</b>	<b>(81,300)</b>	<b>(268,500)</b>	<b>(319,100)</b>
<b>Estimated Year End Cash Balance</b>	<b>500,253</b>	<b>1,731,600</b>	<b>418,953</b>	<b>432,800</b>	<b>241,100</b>
Budget Reduction Needed		-	282,347	127,400	318,300
<b>Estimated Cash After Budget Reduction</b>		<b>1,731,600</b>	<b>701,300</b>	<b>560,200</b>	<b>559,400</b>
<b>Total Reserve Needed (February Debt Payment Due)</b>		<b>701,300</b>	<b>701,300</b>	<b>560,200</b>	<b>559,400</b>



**GAS FUND  
CASH PROJECTION - DRAFT BUDGET  
PROJECTED 2015 TO 2017**

08/25/15

	Actual 2014	Budget 2015	Projected 2015	Budget 2016	Projected 2017
<b>Unrestricted Cash (including Debt Serv. Res.)</b>	<b>3,597,279</b>	<b>4,885,680</b>	<b>6,035,675</b>	<b>5,245,775</b>	<b>3,960,675</b>
<b>Revenues:</b>					
Metered Gas Revenues:					
Variable Rate	52,261,472	43,042,500	35,915,000	36,053,500	36,053,500
Fixed Rate	3,821,629	3,852,800	3,845,000	3,875,800	3,875,800
Misc. Operating Revenue	2,207,307	1,512,600	1,326,500	1,526,000	1,526,000
Non-Operating Revenues	235,832	95,900	123,200	127,200	127,200
<b>Total Revenues</b>	<b>58,526,240</b>	<b>48,503,800</b>	<b>41,209,700</b>	<b>41,582,500</b>	<b>41,582,500</b>
<b>Other Sources of Cash:</b>					
Due from Other Funds	10,449	-	42,200	-	-
Interfund Loan Receivable	-	-	-	-	-
Energy Fund Loan Repayment	150,000	150,000	150,000	150,000	150,000
Special Assessment Principal	20,963	30,400	12,000	21,000	21,000
Accrual Cash Flow Adjustments	-	-	-	-	-
<b>Total Additions to Cash</b>	<b>58,707,652</b>	<b>48,684,200</b>	<b>41,413,900</b>	<b>41,753,500</b>	<b>41,753,500</b>
<b>Expenses:</b>					
Salaries	4,396,448	4,558,800	4,185,600	4,887,500	4,887,500
Benefits	1,761,407	1,772,500	1,702,100	1,970,800	1,970,800
Retiree Insurance & OPEB - Benefits (5135)	896,001	912,100	881,200	891,200	891,200
Retiree Insurance & OPEB - Transfers (5700-60)	103,000	38,000	38,000	-	-
Supplies	1,015,130	991,200	967,500	973,000	973,000
Natural Gas Purchases	38,271,381	30,737,100	22,763,600	24,422,000	24,422,000
Other Services and Charges	1,719,367	1,696,500	1,714,300	1,557,800	1,557,800
In Lieu of Tax	2,832,296	4,027,100	4,080,300	2,876,000	2,901,900
Utilities	49,369	36,400	46,300	38,000	38,000
Transfers	134,716	59,000	152,800	160,700	160,700
Improvements Non-Capital (5535)	101,211	57,500	54,200	60,000	120,000
Debt Service - Interest Expense (5611)	151,368	136,100	149,000	84,200	55,300
Fiscal Fees	613	600	600	600	600
AMRS Lease Interest Payment (5614)	84,738	77,500	77,500	69,900	77,500
<b>Total Expenses</b>	<b>51,517,044</b>	<b>45,100,400</b>	<b>36,813,000</b>	<b>37,991,700</b>	<b>38,056,300</b>
<b>Capital Related Costs:</b>					
Capital Improvements from Current Revenues (5533)	3,024,878	5,600,000	3,342,600	3,675,000	4,014,500
Capital Equipment Purchases (5580)	303,732	321,700	240,600	300,500	260,000
<b>Total Expenses and Capital</b>	<b>54,845,653</b>	<b>51,022,100</b>	<b>40,396,200</b>	<b>41,967,200</b>	<b>42,330,800</b>
<b>Other Uses of Cash:</b>					
Due to Other Funds	28,972	-	45,700	-	-
Budget Carry-Over for Encumbrances	-	-	-	-	-
Net Project Timing Adjustments	-	-	-	-	-
Bond Principal Payments	896,019	923,000	1,568,000	870,000	902,900
AMRS Lease Principal Payments	186,786	193,900	193,900	201,400	209,100
Debt Called	-	-	-	-	-
Accrual Cash Flow Adjustments	311,826	-	-	-	-
<b>Total Deductions to Cash</b>	<b>56,269,257</b>	<b>52,139,000</b>	<b>42,203,800</b>	<b>43,038,600</b>	<b>43,442,800</b>
<b>Current Year Surplus / (Deficit)</b>	<b>2,438,395</b>	<b>(3,454,800)</b>	<b>(789,900)</b>	<b>(1,285,100)</b>	<b>(1,689,300)</b>
<b>Estimated Year End Cash Balance</b>	<b>6,035,675</b>	<b>1,430,880</b>	<b>5,245,775</b>	<b>3,960,675</b>	<b>2,271,375</b>
Budget Reduction Needed		-	-	-	-
<b>Estimated Cash After Budget Reduction</b>		<b>1,430,880</b>	<b>5,245,775</b>	<b>3,960,675</b>	<b>2,271,375</b>
<b>Total Reserve Needed (February Debt Payment Due)</b>		<b>1,148,700</b>	<b>1,055,800</b>	<b>1,075,700</b>	<b>636,900</b>

**SANITARY SEWER FUND  
CASH PROJECTION - DRAFT BUDGET  
PROJECTED 2015 THRU 2017**

08/25/15

	Actual 2014	Budget 2015	Projected 2015	Budget 2016	Projected 2017
<b>Unrestricted Cash (including Debt Serv. Res.)</b>	<b>2,319,393</b>	<b>2,819,793</b>	<b>2,762,772</b>	<b>1,615,600</b>	<b>2,034,000</b>
<b>Revenues:</b>					
Metered Revenue:					
Variable Revenue	15,651,943	16,584,200	16,501,700	16,893,600	16,893,600
Fixed Revenue	1,923,176	1,922,300	1,922,400	1,923,100	1,923,100
Misc. Operating Revenue	86,155	175,700	200,800	200,600	200,600
Non-Operating Revenues (excluding Capital Grants)	188,904	32,900	81,800	58,900	58,900
<b>Total Revenues</b>	<b>17,850,177</b>	<b>18,715,100</b>	<b>18,706,700</b>	<b>19,076,200</b>	<b>19,076,200</b>
<b>Other Sources of Cash:</b>					
Due from Other Funds	77,861	-	30,700	-	-
Special Assessment Principal	193,357	137,200	193,400	193,400	193,400
Accrual Cash Flow Adjustments	142,375	-	-	-	-
<b>Total Additions to Cash</b>	<b>18,263,770</b>	<b>18,852,300</b>	<b>18,930,800</b>	<b>19,269,600</b>	<b>19,269,600</b>
<b>Expenses:</b>					
Salaries	2,105,607	2,279,100	2,107,700	2,275,800	2,275,800
Benefits	870,462	902,800	857,200	927,600	927,600
Retiree Insurance & OPEB - Benefits (5135)	188,228	198,700	185,600	187,200	187,200
Retiree Insurance & OPEB - Transfers (5700-60)	161,000	-	-	-	-
Supplies	429,038	345,000	281,000	363,600	363,600
Other Services and Charges	898,992	859,800	796,700	813,000	803,000
WLSSD Treatment Charges	8,229,318	8,609,500	8,782,400	8,702,700	8,789,700
WLSSD Testing	217,982	218,800	218,800	218,800	218,800
SSO Grants and Improvements	800,184	1,088,000	309,200	450,000	450,000
Utilities	140,656	120,500	95,700	122,700	122,700
Transfers	71,732	79,000	152,800	160,500	160,500
Improvements Non-Capital (5535)	53,323	112,500	70,900	50,000	55,000
Debt Service - Interest Expense (5611)	302,949	277,000	277,600	242,500	202,800
Fiscal Fees	8,731	2,400	2,100	2,100	2,100
AMRS Lease Interest Payment (5614)	79,602	72,800	72,800	65,700	58,400
<b>Total Expenses</b>	<b>14,557,805</b>	<b>15,165,900</b>	<b>14,210,500</b>	<b>14,582,200</b>	<b>14,617,200</b>
<b>Capital Related Costs:</b>					
Capital Improvements from Current Revenues (5533)	387,214	2,290,000	3,511,200	2,000,000	2,200,000
Infrastructure Replacement (5536)	743,566	-	-	-	-
Capital Equipment Purchases (5580)	159,693	329,800	349,400	240,300	408,300
<b>Total Expenses and Capital</b>	<b>15,848,278</b>	<b>17,785,700</b>	<b>18,071,100</b>	<b>16,822,500</b>	<b>17,225,500</b>
<b>Other Uses of Cash:</b>					
Due to Other Funds	52,853	-	24,000	-	-
Budget Carry-Over for Encumbrances	-	-	-	-	-
Net Project Timing Adjustments	-	-	-	-	-
Infrastructure System Replacement Fund	24,964	51,500	128,600	76,800	76,800
Bond Principal Payments	1,718,830	1,869,300	1,874,700	1,762,800	1,758,600
AMRS Lease Principal Payments	175,466	182,200	182,200	189,100	196,400
Accrual Cash Flow Adjustments	-	-	-	-	-
<b>Total Deductions to Cash</b>	<b>17,820,391</b>	<b>19,888,700</b>	<b>20,280,600</b>	<b>18,851,200</b>	<b>19,257,300</b>
<b>Current Year Surplus / (Deficit)</b>	<b>443,379</b>	<b>(1,036,400)</b>	<b>(1,349,800)</b>	<b>418,400</b>	<b>12,300</b>
<b>Estimated Year End Cash Balance</b>	<b>2,762,772</b>	<b>1,783,393</b>	<b>1,412,972</b>	<b>2,034,000</b>	<b>2,046,300</b>
Budget Reduction Needed		-	202,628	-	-
<b>Estimated Cash After Budget Reduction</b>		<b>1,783,393</b>	<b>1,615,600</b>	<b>2,034,000</b>	<b>2,046,300</b>
<b>Total Reserve Needed (February Debt Payment Due)</b>		<b>1,628,100</b>	<b>1,615,600</b>	<b>1,586,000</b>	<b>1,496,800</b>



**CLEAN WATER FUND  
CASH PROJECTION - DRAFT BUDGET  
PROJECTED 2015 THRU 2017**

08/04/15

	Actual 2014	Budget 2015	Projected 2015	Budget 2016	Projected 2017
<b>Unrestricted Cash (including Debt Serv. Res.)</b>	<b>369,715</b>	<b>113,515</b>	<b>50,874</b>	<b>342,874</b>	<b>695,474</b>
<b>Revenues:</b>					
Clean Water Surcharge	1,824,158	1,828,000	1,829,200	1,832,100	1,832,100
Misc. Operating Revenue	17,995	15,000	11,000	8,000	8,000
Non-Operating Revenues (excluding Capital Grants)	3,925	300	400	600	600
<b>Total Revenues</b>	<b>1,846,078</b>	<b>1,843,300</b>	<b>1,840,600</b>	<b>1,840,700</b>	<b>1,840,700</b>
<b>Other Sources of Cash:</b>					
Accrual Cash Flow Adjustments	-	-	-	-	-
<b>Total Additions to Cash</b>	<b>1,846,078</b>	<b>1,843,300</b>	<b>1,840,600</b>	<b>1,840,700</b>	<b>1,840,700</b>
<b>Expenses:</b>					
Supplies	-	-	-	-	-
Other Services and Charges	5,910	10,400	9,900	8,400	8,400
Grants & Awards	687,667	500,000	162,400	200,000	200,000
Transfers	3,407	-	-	-	-
Improvements Non-Capital (5535)	-	-	-	-	-
Debt Service - Interest Expense (5611)	177,857	175,700	174,100	158,800	143,100
<b>Total Expenses</b>	<b>874,841</b>	<b>686,100</b>	<b>346,400</b>	<b>367,200</b>	<b>351,500</b>
<b>Capital Related Costs:</b>					
Capital Improvements from Current Revenues (5533)	-	-	-	-	-
Infrastructure Replacement (5536)	-	-	-	-	-
Capital Equipment Purchases (5580)	-	-	-	-	-
<b>Total Expenses and Capital</b>	<b>874,841</b>	<b>686,100</b>	<b>346,400</b>	<b>367,200</b>	<b>351,500</b>
<b>Other Uses of Cash:</b>					
Budget Carry-Over for Encumbrances	-	-	-	-	-
Bond Principal Payments	1,109,027	1,122,200	1,202,200	1,120,900	1,137,400
Accrual Cash Flow Adjustments	181,050	-	-	-	-
<b>Total Deductions to Cash</b>	<b>2,164,918</b>	<b>1,808,300</b>	<b>1,548,600</b>	<b>1,488,100</b>	<b>1,488,900</b>
<b>Current Year Surplus / (Deficit)</b>	<b>(318,840)</b>	<b>35,000</b>	<b>292,000</b>	<b>352,600</b>	<b>351,800</b>
<b>Estimated Year End Cash Balance</b>	<b>50,874</b>	<b>148,515</b>	<b>342,874</b>	<b>695,474</b>	<b>1,047,274</b>
Budget Reduction Needed		-	-	-	-
<b>Estimated Cash After Budget Reduction</b>		<b>148,515</b>	<b>342,874</b>	<b>695,474</b>	<b>1,047,274</b>
<b>Total Reserve Needed (February Debt Payment Due)</b>		<b>93,000</b>	<b>92,400</b>	<b>85,100</b>	<b>77,100</b>

**STORMWATER FUND  
CASH PROJECTION - DRAFT BUDGET  
PROJECTED 2015 THRU 2017**

08/25/15

	Actual 2014	Budget 2015	Projected 2015	Budget 2016	Projected 2017
<b>Unrestricted Cash (including Debt Serv. Res.)</b>	<b>2,524,850</b>	<b>1,938,650</b>	<b>2,083,144</b>	<b>989,944</b>	<b>252,900</b>
<b>Revenues:</b>					
Stormwater Revenue	4,583,257	4,700,000	4,686,000	4,690,100	4,690,100
Misc. Operating Revenue	44,576	18,500	26,500	26,500	26,500
Non-Operating Revenues (excluding Capital Grants)	88,023	5,900	12,400	11,800	11,800
<b>Total Revenues</b>	<b>4,715,855</b>	<b>4,724,400</b>	<b>4,724,900</b>	<b>4,728,400</b>	<b>4,728,400</b>
<b>Other Sources of Cash:</b>					
Due from Other Funds	171,237	-	68,900	-	-
Special Assessment Principal	565	600	600	600	600
Accrual Cash Flow Adjustments	12,127	-	-	-	-
<b>Total Additions to Cash</b>	<b>4,899,784</b>	<b>4,725,000</b>	<b>4,794,400</b>	<b>4,729,000</b>	<b>4,729,000</b>
<b>Expenses:</b>					
Salaries	1,579,727	1,648,800	1,585,300	1,735,300	1,735,300
Benefits	634,088	660,800	630,700	697,600	697,600
Retiree Insurance & OPEB - Benefits (5135)	10,290	10,900	10,300	10,300	10,300
Retiree Insurance & OPEB - Transfers (5700-60)	121,000	100,000	100,000	91,000	91,000
Supplies	298,302	280,200	295,800	296,700	296,700
Other Services and Charges	510,992	699,900	635,200	662,600	647,600
Utilities	24,223	26,200	22,000	26,700	26,700
Transfers	570,602	484,000	540,500	548,300	548,300
Improvements Non-Capital (5535)	133,868	257,500	171,400	265,000	225,000
Debt Service - Interest Expense (5611)	53,516	49,700	49,700	43,000	35,600
Fiscal Fees	438	400	400	400	400
<b>Total Expenses</b>	<b>3,937,045</b>	<b>4,218,400</b>	<b>4,041,300</b>	<b>4,376,900</b>	<b>4,314,500</b>
<b>Capital Related Costs:</b>					
Capital Improvements from Current Revenues (5533)	973,697	940,000	1,275,900	1,225,000	625,000
Capital Equipment Purchases (5580)	171,376	299,700	332,200	181,800	202,400
<b>Total Expenses and Capital</b>	<b>5,082,118</b>	<b>5,458,100</b>	<b>5,649,400</b>	<b>5,783,700</b>	<b>5,141,900</b>
<b>Other Uses of Cash:</b>					
Due to Other Funds	48,963	-	19,400	-	-
Budget Carry-Over for Encumbrances	-	-	-	-	-
Net Project Timing Adjustments	-	-	-	-	-
Bond Principal Payments	210,409	218,800	218,800	224,700	233,100
Accrual Cash Flow Adjustments	-	-	-	-	-
<b>Total Deductions to Cash</b>	<b>5,341,490</b>	<b>5,676,900</b>	<b>5,887,600</b>	<b>6,008,400</b>	<b>5,375,000</b>
<b>Current Year Surplus / (Deficit)</b>	<b>(441,705)</b>	<b>(951,900)</b>	<b>(1,093,200)</b>	<b>(1,279,400)</b>	<b>(646,000)</b>
<b>Estimated Year End Cash Balance</b>	<b>2,083,144</b>	<b>986,750</b>	<b>989,944</b>	<b>(289,456)</b>	<b>(393,100)</b>
Budget Reduction Needed		-	-	542,356	650,400
<b>Estimated Cash After Budget Reduction</b>		<b>986,750</b>	<b>989,944</b>	<b>252,900</b>	<b>257,300</b>
<b>Total Reserve Needed (February Debt Payment Due)</b>		<b>247,900</b>	<b>247,900</b>	<b>252,900</b>	<b>257,300</b>