

DULUTH PUBLIC UTILITIES COMMISSION

Tuesday, August 15, 2017

City Council Chambers

AGENDA

1. Roll call
2. Approval of previous meeting minutes
3. New business:
 - 3.1 Imagine Duluth 2035 Energy and Conservation presentation
 - 3.2 Water rate public meetings review
 - 3.3 2018 utilities budget discussion
4. Updates from staff
5. Upcoming Council actions
6. Commissioner questions or comments
7. Preview of upcoming business

DULUTH PUBLIC UTILITIES COMMISSION
Meeting Minutes
June 20, 2017

Members Present: Chris McIntosh, Rob Prusak, Councilor Joel Sipress, Jason Thorsell, Councilor Em Westerlund; Councilor Noah Hobbs arrived at 5:21 p.m.

Members Absent: Jen Julsrud

Staff Present: Bob Asleson, Leanna Gilbert, Howard Jacobson, Eric Shaffer, Glenn Strid, Kerry Venier

Call to Order: The meeting was called to order at 5:15 p.m. by President Prusak.

Approval of previous meeting minutes

Old business:

Water utility discussion

Eric Shaffer provided handouts showing the effect of a 4.7% volume charge increase on customer bills for usage of 2 units and 6 units of water, the draft PowerPoint presentation for the June 27 public meetings, and a Frequently Asked Questions sheet that would be available for residents who attend the public meetings. Commissioners and staff discussed each of the handouts. President Prusak suggested bringing a list of capital projects to the meetings.

New business:

Upcoming public meetings

This topic was covered during the water utility discussion.

Updates from staff

Eric Shaffer reported on the progress of various projects, including the water main pipe bursting project on 47th Ave. E, the gas main pipe bursting project on 48th Ave. E, and Phase 1 of Michigan Street. He also mentioned that the Superior Street project would be moving ahead.

Upcoming Council actions

No upcoming actions were mentioned.

Commissioner questions or comments

Commissioner Sipress asked about work that was done at 21st Ave. E and Superior Street. Eric Shaffer responded that it was an emergency storm sewer repair that had to be completed prior to Grandma's Marathon.

Preview of upcoming business

Public meetings regarding proposed changes to water variable rates will be held on Tuesday, June 27, 2017, at 8:00 a.m. and 6:00 p.m. in City Council Chambers. The next regular meeting is scheduled for Tuesday, July 18, 2017, at 5:15 p.m. in City Council Chambers. The commission will review feedback from the public meetings.

Adjournment: The meeting was adjourned at 5:58 p.m.

DULUTH PUBLIC UTILITIES COMMISSION
Public Meeting
8:00 a.m., June 27, 2017

Members Present: Chris McIntosh, Rob Prusak, Councilor Joel Sipress, Councilor Em Westerlund

Members Absent: Councilor Noah Hobbs, Jen Julsrud, Jason Thorsell

Staff Present: Bob Asleson, Leanna Gilbert, Howard Jacobson, Eric Shaffer

Others Present: James Martin, resident of 4004 London Road #CC12
David Prusak, former City of Duluth Chief Engineer of Utilities

Call to Order: The meeting began at 8:08 a.m.

This public meeting was held regarding proposed increases to water variable rates.

Eric Shaffer, Chief Engineer of Utilities for the City of Duluth, gave a presentation on the state of the water system and the reasons for the proposed rate increases.

James Martin asked various questions about the water system, the current budget, and the proposed increases.

David Prusak mentioned the environmental factors that impact the utilities, such as frost, and stated that the proposed capital plan is pretty lean and not excessive.

Adjournment: The meeting was adjourned at 8:29 a.m.

A recording of this meeting is available upon request.

DULUTH PUBLIC UTILITIES COMMISSION
Public Meeting
6:00 p.m., June 27, 2017

Members Present: Councilor Noah Hobbs, Chris McIntosh, Rob Prusak, Councilor Joel Sipress, Jason Thorsell, Councilor Em Westerlund

Members Absent: Jen Julsrud

Staff Present: Jim Benning, Leanna Gilbert, Howard Jacobson, Eric Shaffer

Others Present: Bill Lynch, resident of 6004 Highland Street
Richard Paulson, resident of 524 W Ideal Street

Call to Order: The meeting was called to order at 6:01 p.m. by President Prusak.

This public meeting was held regarding proposed increases to water variable rates.

Eric Shaffer, Chief Engineer of Utilities for the City of Duluth, gave a presentation on the state of the water system and the reasons for the proposed rate increases.

Richard Paulson asked about the rate increases over the last 20 years, transfers listed in the financial statements, a decrease in sales of water, and a decrease in the number of meters.

Bill Lynch asked about the cost of water for residents as compared to the cost for large users.

Adjournment: The meeting was adjourned at 6:31 p.m.

A recording of this meeting is available upon request.

**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**

08/08/17

	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	2,017,096
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	-	70,265	70,265	70,265
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	7,435	(62,865)	(62,865)
Total Revenues	19,328,127	18,435,700	18,400,400	18,514,500	18,514,500
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	18,514,500	18,514,500
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	(443,900)	(407,300)
Estimated Year End Cash Balance	1,571,255	2,289,107	2,460,996	2,017,096	1,609,796
Budget Reduction Needed		-	-	-	-
Estimated Cash After Budget Reduction	1,571,255	2,289,107	2,460,996	2,017,096	1,609,796
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

Notes to Budget 2018 Utility Cash Projection Worksheets

REVENUES

1. Misc. Operating Revenue - The table below describes those lines rolled up into the Budgeted 2018 Miscellaneous Operating Revenue subtotals. Amounts can vary significantly by Fund. Some lines are unique to specific Utilities.

Acct	Description	2018 Comments
4800	Meter Repair Revenue	Water only (\$25K) includes tapping fees, burst services
4801	Off/On Charge	Water and Gas (\$25K each)
4802	Interest Earned - Customer Accts	Range from \$14K (Storm) to \$90K (Gas)
4805	Reimbursements	All Funds - Employee time spent on Union business, energy conservation rebates, other reimbursements Gas only payments (\$180K) for sale of excess pipeline capacity (aka "Asset Management" agreement) Sanitary Sewer only (\$25K) Hermantown Sanitary Sewer agreement
4809	Miscellaneous Operating Revenue	NSF fees, fuel tax refunds, misc. other payments Gas only penalties for gas hits
4818	Servicing Appliances	Gas only (\$400K)
4819	Comfort Policy Revenue	Gas only (\$380K)
4827	Gas – Interruptible Transport	Gas only (\$175K)
4834	Fond du Lac Grinder Pump Surcharge	Sanitary Sewer only (\$11,600)
4836	I & I Surcharge	Clean Water only (\$10K) non-compliance charges
4839	Point of Sale Inspection Fee	Sanitary Sewer only (\$110K)
4851	Interest – Other Sources	Special Assessment Interest. Range of \$3,500 (Storm) to \$14,000 (Gas)
4170-01	Miscellaneous Permits & Licenses	Stormwater only (\$12K) erosion control and stormwater management permits
4636-02	Sale of Materials Scrap	Range of \$500 (Gas & Sewer) to \$12K (Water)

2. Non-Operating Revenues - The table below shows descriptions of the types of lines rolled up into Non-Operating Revenue subtotals. Amounts can vary significantly by Utility and year.

Acct	Description	2018 Comments
4806	Connection Fees	Water Fees in Lieu of Assessment and Water Hydrant connection fees.
4829	Two-Tier Gas Rate	Gas only (\$66K)
4853	Gain/Loss-Sale of Fixed Assets	Proceeds from sale of used vehicles/equipment
4854	Utility Assessments	Range of \$0 (Storm) to \$10K (Sanitary)
4230	PERA Aid	Annual amount for Water (\$16,919), Gas (\$23,365) and Sanitary Sewer (\$8,283) per State Statute

4730-20	Interfund Transfer in from Special Revenue Funds	Water only (\$123,400) Telecommunications leases
4730-50	Interfund Transfer in from Enterprise Funds	All Funds - Reimbursement for billing costs from Street Lighting Fund.

EXPENSES

1. Debt Service

a. **Total Debt Service expense** - lines below need to be totaled in each Fund.

Under *Expenses*: Debt Service – Interest Expense (5611), plus
AMRS* Lease Interest Payment (5614), plus
Under *Other Uses of Cash*: Bond Principal Payments, plus
AMRS Lease Principal Payments
= Total Debt Service

*AMRS is the Automated Meter Reading System. Applies to Water, Gas and Sanitary Sewer Funds.

b. **Total Reserve Needed** (page bottom) - The dollar amount listed is for reference only and intended as a minimum target for cash. It is the total of the February interest plus principal debt service payments due.

2. Retiree Insurance and OPEB (Other Post Employment Benefits) – Consist of two distinct payments.

5135 Benefits – payments during the current year for retiree health benefits

5700-60 Transfers – a contribution for future retiree health care costs

3. In Lieu of Tax (Gas only) – Payment to the General Fund based on a calculation of 7.0% of the previous year's gross operating revenue.

4. Utilities – Costs for paying utility expenses at the Garfield PW&U facility, the Lakewood Water Treatment Plant, Water pumping stations, Gas regulator stations and Sanitary Sewer lift stations. The single largest expense is approximately \$1.2M in the Water fund for electricity to pump water. For comparison, the electricity for Sanitary lift stations and SSO tanks is budgeted at about \$85K.

5. SSO Grants and Improvements (Sanitary Sewer only) – Grants to customers to disconnect foundation drains and reduce clean water in the sanitary system; also known as the Inflow & Infiltration “sump pump grants”.

6. Grants and Awards (Clean Water only) – Grants to customers to repair private Sanitary Sewer service lines; also known as the “lateral line grants”.

7. Transfers - Account 5700-10 Interfund Transfers Out to General Fund

a. Detail descriptions for \$ amounts budgeted by Fund are below:

Fund	Acct	2018 Description	\$ Amount
Water	5700-10	Annual street patching and sidewalk repairs	\$166,000
	5700-10	Applications Administrator and GIS Specialist	\$53,600
		Water Subtotal =	\$219,600

Gas	5700-10	Annual street patching and sidewalk repairs	\$103,800
	5700-10	Applications Administrator and GIS Specialist	\$53,600
		Gas Subtotal =	\$157,400
Sanitary Sewer	5700-10	Annual street patching and sidewalk repairs	\$103,700
	5700-10	Applications Administrator and GIS Specialist	\$53,600
		Sanitary Sewer Subtotal =	\$157,300
Stormwater	5700-10	Annual street patching and sidewalk repairs	\$41,500
	5700-10	Applications Administrator and GIS Specialist	\$53,600
	5700-10	Transfer for estimated Street Sweeping costs	\$450,000
		Stormwater Subtotal =	\$545,100

b. Other General Fund Transfers – There are other expenses charged to the Utilities that result in a transfer of \$ to the General Fund. These are referred to as transfers during discussion, but are not labeled as “transfers” by budget book account name. These costs are included in the “Other Services and Charges” expense category on the Cash Projection Worksheets.

Fund	Cost Allocation (Acct 5493)	Hydrant Maintenance (Acct 5457)
Water	\$331,000	\$30,000
Gas	\$442,700	n/a
Sanitary Sewer	\$204,600	n/a
Stormwater	\$149,400	n/a
<i>Total</i>	<i>\$1,127,700</i>	<i>\$30,000</i>

c. Self-Insurance Fund – Budgeted costs for Worker’s Compensation and General Liability are based on an actual three-year average. The exception is a \$60,000 per year contribution by the Gas Fund for General Liability even though no claims are reported. These costs are included in the “Other Services and Charges” expense category on the Cash Projection Worksheets.

Fund	Worker’s Compensation (Acct 5151)	General Liability (Acct 5360)
Water	\$48,700	\$32,800
Gas	\$46,700	\$62,400
Sanitary	\$41,900	\$12,000
Stormwater	\$14,000	\$14,400
<i>Total</i>	<i>\$151,300</i>	<i>\$121,600</i>

8. Infrastructure System Replacement Fund (Sanitary Sewer and Clean Water) – Located under “Other Uses of Cash” in Sanitary and “Expenses” in Clean Water, this amount is a required annual deposit in restricted cash based on those projects funded by Minnesota Public Facilities Authority (PFA) loans. Funds are restricted to future rehabilitation or replacement of the sanitary sewer system.

Water Projects

8/8/2017

Project	2018	2019	2020	2021	2022
Superior Street	*Bond	*Bond	\$2,000,000		
Filter building roof	\$450,000				
2 nd Ave. across Mesaba	\$250,000				
Building repairs at water plant - fascia	\$100,000				
Corrosion on 42-inch	\$80,000	\$80,000			
Decker Road	\$12,500				
Norwood/47 th /Wyoming mains - Garfield	\$10,000				
Hidden Valley		\$1,050,000			
Woodland (County)		\$600,000			
24 th Ave. West - 3 rd to 7 th		\$450,000			
Heights main replacement phase 1		\$425,000			
McCuen Street		\$350,000			
Heights main replacement phase 2			\$1,350,000		
Heights main replacement phase 3				\$1,840,000	
Far East Superior Street to get off the 42-inch				\$1,300,000	
Lakewood easement				\$570,000	
Middle Pump Station design				\$200,000	
Middle Pump Station					\$2,400,000
Water plant electrical upgrades					\$2,000,000
Water capital projects contingency	\$90,000	\$300,000	\$330,000	\$390,000	\$440,000
	\$992,500	\$3,255,000	\$3,680,000	\$4,300,000	\$4,840,000

*Water Bond Fund 511

Superior Street \$3.55M Total Bond

Natural Gas Projects

8/8/2017

Project	2018	2019	2020	2021	2022
Blanket project	\$1,340,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
Woodland Ave. 6-inch steel Dressers - 2 miles	\$900,000				
Misc. steel replacement			\$500,000	\$500,000	\$500,000
20 th Ave. West, 23 rd Ave. West, 10 th Street				\$500,000	\$500,000
Meter relocations	\$250,000	\$250,000	\$250,000	\$250,000	
3 rd Street, Vernon, 2 nd Street alley		\$200,000			
58 th Ave. West - 14-inch replacement with 3-inch			\$200,000		
GL Transmission In-Line-Inspection	\$160,000				
Michigan Street - 10-inch installed by Garfield				\$120,000	
Stora Enso flow meter		\$100,000			
Gogebic culverts (MNDOT)				\$100,000	
Building shell at Riveness	\$85,000				
Building shell at Stora Enso		\$85,000			
Riveness flow meter	\$75,000				
Pipe bollards	\$50,000	\$50,000	\$50,000	\$50,000	
Street projects	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Upgrading of Fairmont, Spirit Valley, Denfeld, Irving and Cody		\$20,000			
Upgrading of Upper Woodland		\$10,000			
	\$2,890,000	\$2,245,000	\$2,530,000	\$3,050,000	\$2,530,000

Sanitary Sewer Projects

8/8/2017

Project	2018	2019	2020	2021	2022
Sanitary Sewer rehabilitation/lining	\$1,000,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
Superior Street laterals	\$500,000	\$500,000			
Lift station rehabilitation	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000
Manhole rehabilitation	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
	\$2,000,000	\$2,500,000	\$2,000,000	\$2,000,000	\$2,000,000

Stormwater Projects

8/8/2017

Project	2018	2019	2020	2021	2022
Norton Rd & Thurber Rd - hydro & design - E Chester Creek	\$40,000	\$25,000		\$555,000	
Block long culvert & ditch system improvements					\$450,000
City-wide pipe repairs & steep slope "down drains"			\$355,000		\$355,000
Superior Street with Steam/Transporation project	\$300,000	\$300,000	\$300,000		
Brewery Creek tuckpointing	\$260,000				
Woodland/Calvary reconstruction (County)		\$250,000			
McCuen Street (MNDOT)		\$200,000			
Clarkhouse Creek		\$70,000		\$200,000	
Greys Creek	\$75,000		\$200,000		
Superior Street - Lakewood to McQuade Rd culvert extensions					\$150,000
Kenwood Ave. box culvert fish passage - Chester Creek		\$120,000			
Annual Transportation SIP projects	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Gary New Duluth system improvements	\$100,000		\$100,000	\$100,000	
Piedmont Heights system improvements			\$100,000	\$100,000	
Lower Coffee Creek		\$75,000		\$100,000	\$100,000
Commonwealth Ave. reconstruction - Boy Scout Landing	\$85,000				
City-wide driveway culvert project	\$65,000	\$75,000	\$50,000	\$50,000	\$50,000
Non-capital Storm projects	\$125,000	\$135,000	\$145,000	\$145,000	\$145,000
City-wide manhole adjustment project	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
	\$1,200,000	\$1,400,000	\$1,400,000	\$1,400,000	\$1,400,000