

DULUTH PUBLIC UTILITIES COMMISSION

Tuesday, August 16, 2016

City Council Chambers

AGENDA

1. Roll call
2. Approval of previous meeting minutes
3. New business:
 - 3.1 Banking rules regarding credit card fee
 - 3.2 2017 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 21, 2016

Members Present: Councilor Zack Filipovich, Jim Lewis, Rob Prusak, Jason Thorsell, Councilor Em Westerlund; Jen Julsrud arrived at 5:22 p.m.

Members Absent: Councilor Joel Sipress

Staff Present: Bob Asleson, Jim Benning, Leanna Gilbert, Howard Jacobson, Eric Shaffer, Glenn Strid

Call to Order: The meeting was called to order at 5:17 p.m. by President Prusak.

Approval of previous meeting minutes

New business:

16PUC-005 - RESOLUTION ESTABLISHING PENALTIES FOR UNAUTHORIZED GAS RECONNECTION.

Eric Shaffer restated that he would prosecute to the full extent of the law in addition to any penalty set for unauthorized gas reconnection. After a brief discussion, Commissioner Filipovich motioned to approve resolution 16PUC-005, and the resolution was approved unanimously.

16PUC-006 - RESOLUTION ESTABLISHING PENALTIES FOR UNAUTHORIZED WATER RECONNECTION.

Commissioner Filipovich motioned to approve resolution 16PUC-006, and the resolution was approved unanimously.

16PUC-007 - RESOLUTION REQUESTING CITY TO ESTABLISH FEE FOR PROCESSING CREDIT CARD PAYMENTS OVER THE TELEPHONE.

There was some discussion about various aspects of the credit card processing issue. Vice President Thorsell stated that he would like to see statistics on whether the number of people paying this way drops in a few months if this resolution passes. Commissioner Filipovich asked how long it would be before it would appear before City Council. Bob Asleson stated that it would probably be on the agenda for the second meeting in July. Commissioner Julsrud motioned to approve resolution 16PUC-007, and the resolution was approved 5-1 (Thorsell).

Updates from staff

Eric Shaffer reported that the Michigan Street project has been broken into four phases. Phases one and two are complete. The water main should be in so that the street can be open by Sidewalk Days. We put in a 20" HDPE pipe with services on it. We bid the project to line the sanitary sewer pipes on Superior Street. This will be on the Council agenda for less than \$1M.

Upcoming Council actions

Jim Benning mentioned items on the City Council agenda, including an assessment agreement for gas to Cirrus, application for a grant to install the gas main to Cirrus, the intent to extend sanitary sewer on Minnesota Avenue, replacement of a retaining wall on Anna Street, a resolution honoring the Orlando shooting victims, a resolution to receive money from the state for the 63rd Avenue West flood project, the Lakewood HVAC project move from design to construction, a resolution to install gas main to Cirrus, lining of Superior Street, an ordinance regarding penalties for illicit discharges, an ordinance giving this

Commission authority to hear appeals under Chapter 43, and an ordinance amending Chapter 2 allowing this Commission to hear and decide appeals under Chapters 43, 43A and 48 of the City Code.

Commissioner questions or comments

President Prusak mentioned that he had Comfort Systems at his house to work on his water heater, and it was a very positive experience. He really appreciates the work that they do.

President Prusak asked who was doing the majority of the work for the water plant HVAC project. Eric Shaffer answered that Shannon's, a mechanical contractor out of International Falls, would be doing the work. This has been bid. The demolition part of the construction is complete. As soon as the equipment arrives, they will begin installation. This project should be fairly close to budget unless there are change orders.

Commissioner Westerlund asked if anyone knew if there is a deadline for a decision on the Superior Street reconstruction. Jim Benning said no. The process is moving forward as if it is going to happen. We will be ready to build that project if money becomes available.

Preview of upcoming business

The City Council has a summer break from mid-July to mid-August, so the Commission discussed adjusting their meeting schedule to reflect that. Commissioner Julsrud motioned to cancel the July meeting, and the motion was approved unanimously. The next meeting will be on Tuesday, August 16, 2016, at 5:15 p.m. in City Council Chambers. The Commission will begin to review the 2017 utilities budgets.

Adjournment: The meeting was adjourned at 5:45 p.m.

Visa Utility Interchange Reimbursement Fee (VUIRF) Program Guide

Registration

To participate in the Visa Utility Interchange Reimbursement Fee (VUIRF) Program, the Merchant must apply through the merchant's acquirer(s) and the acquirer(s) must register the merchant using the attached VUIRF Program Registration Form. If a merchant has multiple acquirer relationships, each acquirer must separately register the merchant using the registration form. Acquirers should contact their Visa Sales Director for more information about program requirements and eligibility. This form is required when adding a new merchant to the program, deleting a merchant from the program, or changing an existing registration.

Questions regarding the registration process can be directed to VisaUtilitySolutions@visa.com or 800-847-2103.

Eligible Merchant Category Code

Utility payment transactions submitted by participating merchants must include a Merchant Category Code (MCC) of 4900 to be eligible for the Utility Interchange Reimbursement Fee. Merchants classified under MCC 4900 provide the generation, transmission, and/or distribution of electric, gas, water, or sanitary utility services on an ongoing basis. MERCHANTS PROVIDING PROPANE GAS, HOME HEATING OIL, LANDFILL, SEPTIC TANK AND SEWERAGE SERVICES, TELECOMMUNICATION OR CABLE SERVICES ARE NOT ELIGIBLE FOR THIS MCC CLASSIFICATION. In addition, third-party bill-service providers are not eligible for this MCC classification. Only merchants that meet the MCC definition may use this MCC.

Eligibility Requirements

By signing the VUIRF registration form, acquirers certify that the merchants they are registering meet the following requirements:

- Not charge cardholders fees of any type for Visa transactions regardless of payment channel (face to face, online, etc), merchant ID, acquirer/processor, or biller. (Similarly, a third-party processor or bill service provider acting as a vendor to the utility may not charge cardholders any fees for Visa transactions.)
- Accept Visa as a means of payment.
- Comply with all Visa Operating Regulations (including visual representation of the appropriate Visa Brand Mark on merchant Web site).
- Feature the opportunity to pay with Visa at least as prominently as all other payment methods.
- If capable of accepting recurring payments, pass the recurring payments indicator on all recurring transactions.
- Pass the bill payment indicator on all bill payment transactions.

In addition, by signing the VUIRF registration form, acquirers certify they have executed an acceptance contract with the utility merchant and fully explained all requirements to the merchant, and:

- Less favorable interchange rates will apply if all eligibility requirements are not met now or at any time in the future.
- The utility may choose to accept Visa debit products, Visa credit products, or both debit and credit products.
- Visa may disclose publicly, including to Visa cardholders, that the utility accepts Visa as a form of payment.

Visa reserves the right to disqualify merchants from participation in, or to modify or discontinue the VUIRF Program.

Identification of Eligible Utility Transactions

Utility transactions must meet the processing rules associated with one of the eligible Custom Payment Service programs defined in the **U.S. Interchange Reimbursement Fee Rate Qualification Guide** to qualify for the Visa Utility Interchange Reimbursement Fee.

In addition, the utility merchant will be assigned a unique Merchant Verification Value (MVV) once the registration form has been submitted to Visa. The registered MVV/acquirer BIN combination(s) must be included in all eligible Visa Utility Interchange Reimbursement Fee Program clearing transactions in order to qualify for the Utility Interchange Reimbursement Fee.

Change in Acquiring Relationship

Acquirers must submit a properly completed VUIRF Program Registration Form to notify Visa of a change in the acquiring relationship with a merchant that has been assigned an MVV to continue to qualify for the program without interruption.

Timing

Registration of new merchants and any changes to existing registrations can take up to **45 days** following receipt of a properly completed registration form. Note: Insufficient notice of additions or changes may lead to returned transactions and missed clearing timelines, which may result in significant financial loss.

Form Submission

Please fax this form to (650) 554-3961 or mail this form to:
Visa Inc.
Attn: Interchange/VUIRF Program
P.O. Box 8999, M1-7C
San Francisco, CA 94128-8999

Program Compliance

In the event that a participating merchant does not comply with all program requirements, including the eligibility requirements as set forth above, Visa may provide the respective acquirer Member(s) notice of corrective actions necessary to bring the participating merchant back into program compliance. The merchant will have fifteen (15) business days (the "Remedy Period") from the date of Visa's notice to demonstrate compliance with all program requirements. If the merchant does not satisfy all program requirements by the end of the Remedy Period, Visa may suspend or remove the merchant from participation in the program. A merchant may request reinstatement in the program upon satisfactory compliance with the program requirements, as determined by Visa.

**WATER FUND
CASH PROJECTION - DRAFT BUDGET
PROJECTED 2016 THRU 2018**

08/04/16

	Actual 2015	Budget 2016	Projected 2016	Budget 2017	Projected 2018
Unrestricted Cash (including Debt Serv. Res.)	500,253	701,300	483,951	512,510	746,410
Revenues:					
Metered Water Sales (4810)	10,619,856	10,709,800	10,908,500	11,218,000	11,218,000
Water Sales for Resale (4811)	1,258,161	1,256,200	1,277,200	1,325,900	1,325,900
Fixed Rate Charges (4831)	2,397,906	2,405,200	2,407,000	2,409,500	2,409,500
Misc. Operating Revenue	159,488	139,000	132,800	130,000	130,000
Non-Operating Revenues	316,728	181,600	171,500	169,500	169,500
Total Revenues	14,752,140	14,691,800	14,897,000	15,252,900	15,252,900
Other Sources of Cash:					
Due from Other Funds	30,454	-	115,828	-	-
Special Assessment Principal	107,872	137,300	146,422	-	-
Accrual Cash Flow Adjustments	-	-	-	-	-
Total Additions to Cash	14,890,467	14,829,100	15,159,250	15,252,900	15,252,900
Expenses:					
Salaries	3,494,024	3,586,100	3,431,300	3,838,300	3,934,258
Benefits	1,378,777	1,423,800	1,347,600	1,583,800	1,623,395
Retiree Insurance & OPEB - Benefits (5135)	533,931	552,600	504,200	535,500	535,500
Retiree Insurance & OPEB - Transfers (5700-60)	104,000	68,000	68,000	-	-
Supplies	1,152,444	1,417,900	1,326,000	1,406,900	1,406,900
Other Services and Charges	1,219,614	1,350,200	1,234,400	1,247,200	1,223,200
Utilities	1,246,465	1,255,200	1,205,800	1,261,300	1,261,300
Transfers	174,513	222,900	222,900	244,700	232,700
Improvements Non-Capital (5535)	41,515	-	86,900	-	-
Debt Service - Interest Expense (5611)	176,270	170,300	148,000	127,700	103,200
Fiscal Fees	11,328	500	900	900	900
AMRS Lease Interest Payment (5614)	84,523	76,300	79,700	71,300	62,600
Total Expenses	9,617,402	10,123,800	9,655,700	10,317,600	10,383,953
Capital Related Costs:					
Capital Improvements from Current Revenues (5533)	2,911,990	2,859,700	3,446,200	2,524,000	2,850,000
Infrastructure Replacement (5536)	(6,907)	-	-	-	-
Capital Equipment Purchases (5580)	280,015	320,000	346,000	439,800	301,700
Total Expenses and Capital	12,802,500	13,303,500	13,447,900	13,281,400	13,535,653
Other Uses of Cash:					
Due to Other Funds	21,499	-	17,891	-	-
Interfund Loan Payables	-	-	-	-	-
Budget Carry-Over for Encumbrances	-	-	-	-	-
Net Project Timing Adjustments	-	-	-	-	-
Bond Principal Payments	1,548,725	1,574,400	1,445,200	1,509,500	1,421,700
AMRS Lease Principal Payments	211,563	219,700	219,700	228,100	236,800
Accrual Cash Flow Adjustments	322,481	-	-	-	-
Total Deductions to Cash	14,906,769	15,097,600	15,130,691	15,019,000	15,194,153
Current Year Surplus / (Deficit)	(16,302)	(268,500)	28,559	233,900	58,748
Estimated Year End Cash Balance	483,951	432,800	512,510	746,410	805,158
Budget Reduction Needed		268,500	96,690	-	-
Estimated Cash After Budget Reduction		701,300	609,200	746,410	805,158
Total Reserve Needed (February Debt Payment Due)		701,300	609,200	552,300	552,600

**GAS FUND
CASH PROJECTION - DRAFT BUDGET
PROJECTED 2016 THRU 2018**

08/04/16

	Actual 2015	Budget 2016	Projected 2016	Budget 2017	Projected 2018
Unrestricted Cash (including Debt Serv. Res.)	6,035,675	5,245,775	5,292,734	7,465,656	4,879,856
Revenues:					
Metered Gas Revenues:					
Variable Rate	30,236,489	36,053,500	28,380,700	31,774,100	32,375,900
Fixed Rate	3,843,896	3,875,800	3,871,900	3,928,800	3,928,800
Misc. Operating Revenue	1,413,652	1,526,000	1,832,500	1,386,200	1,386,200
Non-Operating Revenues	120,040	127,200	517,200	127,200	127,200
Total Revenues	35,614,077	41,582,500	34,602,300	37,216,300	37,818,100
Other Sources of Cash:					
Due from Other Funds	42,199	-	29,794	-	-
Interfund Loan Receivable	-	-	-	-	-
Energy Fund Loan Repayment	150,000	150,000	150,000	150,000	150,000
Special Assessment Principal	11,955	21,000	8,300	-	-
Accrual Cash Flow Adjustments	1,045,442	-	-	-	-
Total Additions to Cash	36,863,673	41,753,500	34,790,394	37,366,300	37,968,100
Expenses:					
Salaries	4,357,079	4,887,500	4,414,400	5,003,800	5,128,900
Benefits	1,705,204	1,970,800	1,695,800	2,042,600	2,093,700
Retiree Insurance & OPEB - Benefits (5135)	874,560	891,200	870,100	916,800	916,800
Retiree Insurance & OPEB - Transfers (5700-60)	38,000	-	-	-	-
Supplies	1,102,756	973,000	1,017,400	1,155,300	1,155,300
Natural Gas Purchases	18,713,748	24,422,000	15,147,900	20,930,900	20,930,900
Other Services and Charges	1,761,673	1,557,800	1,407,600	1,717,600	1,693,600
In Lieu of Tax	4,080,329	2,876,000	2,484,600	2,357,800	2,596,200
Utilities	41,092	38,000	39,700	38,500	38,500
Transfers	125,847	160,700	160,700	182,500	170,500
Improvements Non-Capital (5535)	92,755	60,000	120,300	110,000	160,000
Debt Service - Interest Expense (5611)	123,690	84,200	84,200	55,300	29,800
Fiscal Fees	613	600	500	500	500
AMRS Lease Interest Payment (5614)	77,479	69,900	73,100	65,400	57,400
Total Expenses	33,094,825	37,991,700	27,516,300	34,577,000	34,972,100
Capital Related Costs:					
Capital Improvements from Current Revenues (5533)	3,029,353	3,675,000	3,644,900	3,814,500	2,530,000
Capital Equipment Purchases (5580)	325,209	300,500	326,000	448,600	284,500
Total Expenses and Capital	36,449,386	41,967,200	31,487,200	38,840,100	37,786,600
Other Uses of Cash:					
Due to Other Funds	40,323	-	58,872	-	-
Budget Carry-Over for Encumbrances	-	-	-	-	-
Net Project Timing Adjustments	-	-	-	-	-
Bond Principal Payments	922,972	870,000	870,000	902,900	480,000
AMRS Lease Principal Payments	193,933	201,400	201,400	209,100	217,100
Debt Called	-	-	-	-	-
Accrual Cash Flow Adjustments	-	-	-	-	-
Total Deductions to Cash	37,606,614	43,038,600	32,617,472	39,952,100	38,483,700
Current Year Surplus / (Deficit)	(742,940)	(1,285,100)	2,172,922	(2,585,800)	(515,600)
Estimated Year End Cash Balance	5,292,734	3,960,675	7,465,656	4,879,856	4,364,256
Budget Reduction Needed		-	-	-	-
Estimated Cash After Budget Reduction		3,960,675	7,465,656	4,879,856	4,364,256
Total Reserve Needed (February Debt Payment Due)		1,055,800	1,055,800	1,075,700	636,900

**SANITARY SEWER FUND
CASH PROJECTION - DRAFT BUDGET
PROJECTED 2016 THRU 2018**

08/04/16

	Actual 2015	Budget 2016	Projected 2016	Budget 2017	Projected 2018
Unrestricted Cash (including Debt Serv. Res.)	2,762,772	1,615,600	1,593,085	2,479,607	2,306,407
Revenues:					
Metered Revenue:					
Variable Revenue	15,999,266	16,893,600	16,100,800	16,256,000	16,256,000
Fixed Revenue	1,927,490	1,923,100	1,927,700	1,929,100	1,929,100
Misc. Operating Revenue	223,696	200,600	1,256,600	206,400	206,400
Non-Operating Revenues (excluding Capital Grants)	122,236	58,900	29,200	44,200	44,200
Total Revenues	18,272,689	19,076,200	19,314,300	18,435,700	18,435,700
Other Sources of Cash:					
Due from Other Funds	30,742	-	37,319	-	-
Special Assessment Principal	258,415	193,400	278,503	-	-
Accrual Cash Flow Adjustments	434,283	-	-	-	-
Total Additions to Cash	18,996,129	19,269,600	19,630,122	18,435,700	18,435,700
Expenses:					
Salaries	2,142,328	2,275,800	2,036,000	2,150,400	2,204,160
Benefits	854,596	927,600	799,800	866,800	888,470
Retiree Insurance & OPEB - Benefits (5135)	186,409	187,200	171,700	180,700	180,700
Retiree Insurance & OPEB - Transfers (5700-60)	-	-	-	-	-
Supplies	276,972	363,600	345,500	357,700	357,700
Other Services and Charges	776,651	813,000	767,900	804,300	780,300
WLSSD Treatment Charges	8,802,904	8,702,700	8,750,400	8,783,300	8,783,300
WLSSD Testing	218,801	218,800	216,700	217,000	217,000
SSO Grants and Improvements	303,050	450,000	295,800	360,000	360,000
Utilities	107,214	122,700	117,400	123,700	123,700
Transfers	120,445	160,500	160,500	182,400	170,400
Improvements Non-Capital (5535)	191,870	50,000	115,300	50,000	50,000
Debt Service - Interest Expense (5611)	274,835	242,500	198,700	180,500	180,500
Fiscal Fees	27,304	2,100	2,600	2,600	2,600
AMRS Lease Interest Payment (5614)	72,784	65,700	68,700	61,400	61,400
Total Expenses	14,356,164	14,582,200	14,047,000	14,320,800	14,360,230
Capital Related Costs:					
Capital Improvements from Current Revenues (5533)	3,226,815	2,000,000	2,708,900	1,950,000	2,000,000
Infrastructure Replacement (5536)	-	-	-	-	-
Capital Equipment Purchases (5580)	373,327	240,300	112,000	278,700	172,900
Total Expenses and Capital	17,956,306	16,822,500	16,867,900	16,549,500	16,533,130
Other Uses of Cash:					
Due to Other Funds	24,032	-	8,900	-	-
Budget Carry-Over for Encumbrances	-	-	-	-	-
Net Project Timing Adjustments	-	-	-	-	-
Infrastructure System Replacement Fund	128,556	76,800	120,000	120,000	120,000
Bond Principal Payments	1,874,742	1,762,800	1,557,700	1,743,000	2,159,300
AMRS Lease Principal Payments	182,179	189,100	189,100	196,400	203,900
Accrual Cash Flow Adjustments	-	-	-	-	-
Total Deductions to Cash	20,165,816	18,851,200	18,743,600	18,608,900	19,016,330
Current Year Surplus / (Deficit)	(1,169,687)	418,400	886,522	(173,200)	(580,630)
Estimated Year End Cash Balance	1,593,085	2,034,000	2,479,607	2,306,407	1,725,777
Budget Reduction Needed		-	-	-	-
Estimated Cash After Budget Reduction		2,034,000	2,479,607	2,306,407	1,725,777
Total Reserve Needed (February Debt Payment Due)		1,615,600	1,384,800	1,571,300	1,484,900

**CLEAN WATER FUND
CASH PROJECTION - DRAFT BUDGET
PROJECTED 2016 THRU 2018**

08/03/16

	Actual 2015	Budget 2016	Projected 2016	Budget 2017	Projected 2018
Unrestricted Cash (including Debt Serv. Res.)	50,874	342,874	478,491	746,279	914,879
Revenues:					
Clean Water Surcharge	1,822,664	1,832,100	1,601,000	1,605,000	1,605,000
Misc. Operating Revenue	12,349	8,000	10,000	10,000	10,000
Non-Operating Revenues (excluding Capital Grants)	1,501	600	300	-	-
Total Revenues	1,836,515	1,840,700	1,611,300	1,615,000	1,615,000
Other Sources of Cash:					
Accrual Cash Flow Adjustments	-	-	-	-	-
Total Additions to Cash	1,836,515	1,840,700	1,611,300	1,615,000	1,615,000
Expenses:					
Supplies	-	-	-	-	-
Other Services and Charges	1,275	8,400	7,900	5,900	5,900
Grants & Awards	130,896	200,000	55,912	160,000	160,000
Transfers	-	-	-	-	-
Improvements Non-Capital (5535)	-	-	-	-	-
Debt Service - Interest Expense (5611)	163,795	158,800	158,800	143,100	143,100
Total Expenses	295,966	367,200	222,612	309,000	309,000
Capital Related Costs:					
Capital Improvements from Current Revenues (5533)	-	-	-	-	-
Infrastructure Replacement (5536)	-	-	-	-	-
Capital Equipment Purchases (5580)	-	-	-	-	-
Total Expenses and Capital	295,966	367,200	222,612	309,000	309,000
Other Uses of Cash:					
Budget Carry-Over for Encumbrances	-	-	-	-	-
Bond Principal Payments	1,105,348	1,120,900	1,120,900	1,137,400	1,153,400
Accrual Cash Flow Adjustments	7,583	-	-	-	-
Total Deductions to Cash	1,408,898	1,488,100	1,343,512	1,446,400	1,462,400
Current Year Surplus / (Deficit)	427,617	352,600	267,788	168,600	152,600
Estimated Year End Cash Balance	478,491	695,474	746,279	914,879	1,067,479
Budget Reduction Needed		-	-	-	-
Estimated Cash After Budget Reduction		695,474	746,279	914,879	1,067,479
Total Reserve Needed (February Debt Payment Due)		92,400			

**STORMWATER FUND
CASH PROJECTION - DRAFT BUDGET
PROJECTED 2016 THRU 2018**

08/03/16

	Actual 2015	Budget 2016	Projected 2016	Budget 2017	Projected 2018
Unrestricted Cash (including Debt Serv. Res.)	2,083,144	989,944	1,642,193	1,068,898	1,139,598
Revenues:					
Stormwater Revenue	4,724,012	4,690,100	5,225,000	5,240,000	5,240,000
Misc. Operating Revenue	35,807	26,500	30,000	31,000	31,000
Non-Operating Revenues (excluding Capital Grants)	21,243	11,800	11,200	11,200	11,200
Total Revenues	4,781,063	4,728,400	5,266,200	5,282,200	5,282,200
Other Sources of Cash:					
Due from Other Funds	68,865	-	9,221	-	-
Special Assessment Principal	160	600	476	-	-
Accrual Cash Flow Adjustments	87,226	-	-	-	-
Total Additions to Cash	4,937,315	4,729,000	5,275,897	5,282,200	5,282,200
Expenses:					
Salaries	1,621,055	1,735,300	1,619,300	1,691,600	1,733,890
Benefits	635,296	697,600	644,000	678,700	695,668
Retiree Insurance & OPEB - Benefits (5135)	10,290	10,300	6,500	23,900	23,900
Retiree Insurance & OPEB - Transfers (5700-60)	100,000	91,000	91,000	-	-
Supplies	284,061	296,700	299,700	287,400	287,400
Other Services and Charges	491,472	662,600	582,200	732,700	648,700
Utilities	20,787	26,700	20,100	27,300	27,300
Transfers	527,578	548,300	548,300	570,200	558,200
Improvements Non-Capital (5535)	210,618	265,000	140,300	165,000	175,000
Debt Service - Interest Expense (5611)	47,688	43,000	22,700	24,000	24,000
Fiscal Fees	11,041	400	600	600	600
Total Expenses	3,959,886	4,376,900	3,974,700	4,201,400	4,174,658
Capital Related Costs:					
Capital Improvements from Current Revenues (5533)	842,400	1,225,000	1,712,200	635,000	1,025,000
Capital Equipment Purchases (5580)	337,713	181,800	42,000	147,000	196,400
Total Expenses and Capital	5,139,999	5,783,700	5,728,900	4,983,400	5,396,058
Other Uses of Cash:					
Due to Other Funds	19,430	-	10,592	-	-
Budget Carry-Over for Encumbrances	-	-	-	-	-
Net Project Timing Adjustments	-	-	-	-	-
Bond Principal Payments	218,837	224,700	109,700	228,100	241,600
Accrual Cash Flow Adjustments	-	-	-	-	-
Total Deductions to Cash	5,378,266	6,008,400	5,849,192	5,211,500	5,637,658
Current Year Surplus / (Deficit)	(440,951)	(1,279,400)	(573,295)	70,700	(355,458)
Estimated Year End Cash Balance	1,642,193	(289,456)	1,068,898	1,139,598	784,141
Budget Reduction Needed		537,356	-	-	-
Estimated Cash After Budget Reduction		247,900	1,068,898	1,139,598	784,141
Total Reserve Needed (February Debt Payment Due)		247,900	114,200	241,500	252,100

Misc. Notes to Budget 2017 Utility Cash Projection Worksheets

REVENUES

1. Misc. Operating Revenue - The table below describes those lines rolled up into the Budgeted 2017 Miscellaneous Operating Revenue subtotals. Amounts can vary significantly by Fund. Some lines are unique to specific Utilities.

Acct	Description	2017 Comments
4800	Meter Repair Revenue	Water only (\$25K) includes tapping fees, burst services
4801	Off/On Charge	Water and Gas (\$26K each)
4802	Interest Earned - Customer Accts	Range from \$12K (Storm) to \$105K (Gas)
4805	Reimbursements	All Funds - Employee time spent on Union business, sales tax refunds, other misc. reimbursements Gas only payments (\$220K) 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 (\$380K)
4819	Comfort Policy Revenue	Gas only (\$400K)
4827	Gas – Interruptible Transport	Gas only (\$170,200)
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 (\$105K)
4851	Interest – Other Sources	Special Assessment Interest. Range of \$3,500 (Storm) to \$14,500 (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) to \$12K (Water)
4730-20	Interfund Transfer in from Special Revenue Funds	Water only (\$122K)
4730-50	Interfund Transfer in from Enterprise Funds	All Funds - Reimbursement for billing and postage costs from Street Lighting and Street System Maintenance Funds.

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	2017 Comments
4806	Connection Fees	Water and Sanitary Sewer Fees in Lieu of Assessment and Water Hydrant connection fees.
4829	Two-Tier Gas Rate	Gas only (\$62K)
4853	Gain/Loss-Sale of Fixed Assets	Proceeds from sale of used vehicles/equipment

4854	Utility Assessments	Range of \$0 (Storm) to \$20K (Sanitary)
4230	PERA Aid	Annual amount for Water (\$16,919), Gas (\$23,365) and Sanitary Sewer (\$8,283) per old State Statute
4730-50	Transfers In From Enterprise Funds	Reimbursement from Street Lighting and Street System Maintenance funds for share of costs for monthly billing. Total distributed to Utilities is \$74,400

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 \$1.1M in the Water fund for electricity to pump water. For comparison, the electricity for Sanitary lift stations and SSO tanks is budgeted at \$82K.

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	2017 Description	\$ Amount
Water	5700-10	Annual street patching and sidewalk repairs	\$166,000
	5700-10	Applications Administrator, GIS Specialist and Janitors (2)	\$78,700

		Water Subtotal =	\$244,700
Gas	5700-10	Annual street patching and sidewalk repairs	\$103,800
	5700-10	Applications Administrator, GIS Specialist and Janitors (2)	\$78,700
		Gas Subtotal =	\$182,500
Sanitary Sewer	5700-10	Annual street patching and sidewalk repairs	\$103,700
	5700-10	Applications Administrator, GIS Specialist and Janitors (2)	\$78,700
		Sanitary Sewer Subtotal =	\$182,400
Stormwater	5700-10	Annual street patching and sidewalk repairs	\$41,500
	5700-10	Applications Administrator, GIS Specialist and Janitors (2)	\$78,700
	5700-10	Transfer for estimated Street Sweeping costs	\$450,000
		Stormwater Subtotal =	\$570,200

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	\$332,000	\$30,000
Gas	\$439,300	n/a
Sanitary Sewer	\$232,800	n/a
Stormwater	\$154,500	n/a
<i>Total</i>	<i>\$1,158,600</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	\$52,500	\$53,300
Gas	\$56,100	\$62,400
Sanitary	\$32,900	\$0
Stormwater	\$13,300	\$8,000
<i>Total</i>	<i>\$154,800</i>	<i>\$123,700</i>

8. Infrastructure System Replacement Fund (Sanitary Sewer only) – Located under “Other Uses of Cash”, this amount is a required annual deposit 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.

2017 BUDGET

Project No	Project	Total Project Cost	Water cash	Water bond	Gas	Sanitary cash	Sanitary bond	Storm
WATER PROJECTS								
	Superior Street water main	\$1,400,000	\$1,400,000					
	4th Street reconstruction by County	\$1,124,000	\$1,124,000					
NATURAL GAS PROJECTS								
	Gas Main Extensions and Services-2017 Blanket	\$1,500,000			\$1,500,000			
	4 th Street, 18 th Ave. E to Hawthorne, 8-inch PE pipe	\$1,164,500			\$1,164,500			
	48th Ave. E- 3,700 ft replacement with 8-inch	\$750,000			\$750,000			
	London Road 14-inch replacement	\$300,000			\$300,000			
	Meter relocations	\$100,000			\$100,000			
	Bollards	\$50,000			\$50,000			
	New regulator on London Road	\$50,000			\$50,000			
	Uprating Lakeside/North Shore	\$10,000			\$10,000			
SANITARY PROJECTS								
	Sanitary sewer rehabilitation/lining	\$1,100,000				\$1,100,000		
	Superior Street laterals	\$750,000				\$750,000		
	Lift station rehabilitation- 5, 15, 27, 30, 31, 32, 33, 40	\$100,000				\$100,000		
	Manhole adjustments	\$50,000				\$50,000		
STORM PROJECTS								
	4th Street storm sewer (County project)	\$500,000						\$500,000
	Commonwealth Ave. reconstruction- Boy Scout Landing	\$85,000						\$85,000
	Superior Street with Steam/Transportation project	\$50,000						\$50,000
	Manhole adjustments	\$50,000						\$50,000
	Non-capital storm projects	\$115,000						\$115,000
	Yearly Total	\$9,248,500	\$2,524,000	\$0	\$3,924,500	\$2,000,000	\$0	\$800,000

Capital Improvements Revenue	5533	\$2,524,000	\$0	\$3,814,500	\$1,950,000	\$0	\$635,000
Non-Capital Improvements	5535	\$0	\$0	\$110,000	\$50,000	\$0	\$165,000
Total (not including Patch)		\$2,524,000	\$0	\$3,924,500	\$2,000,000	\$0	\$800,000

2018 BUDGET

Project No	Project	Total Project Cost	Water cash	Water bond	Gas	Sanitary cash	Sanitary bond	Storm
WATER PROJECTS								
	Superior Street water main	\$1,600,000	\$1,600,000					
	Water main replacement- Hidden Valley Phase 2	\$1,050,000	\$1,050,000					
	Ramsey Street in existing casing	\$200,000	\$200,000					
NATURAL GAS PROJECTS								
	Gas Main Extensions and Services-2018 Blanket	\$1,500,000			1,500,000			
	Woodland Ave. 6-inch steel Dressers - 2 miles	\$500,000			500,000			
	Meter relocations	\$200,000			200,000			
	Relocation of Airpark/Martin regulators	\$150,000			150,000			
	Michigan Street- 10-inch installed by Garfield	\$120,000			120,000			
	Building shell at Stora Enso	\$60,000			60,000			
	Bollards	\$50,000			50,000			
	Riveness flow meter	\$50,000			50,000			
	Street projects	\$30,000			30,000			
	Uprating of Fairmont, Spirit Valley, Denfeld, Irving, and Cody	\$20,000			20,000			
	Upgrading Lakeside/North Shore	\$10,000			10,000			
SANITARY PROJECTS								
	Sanitary sewer rehabilitation/lining	\$1,000,000				\$1,000,000		
	Lift station rehabilitation- 5, 15, 27, 30, 31, 32, 33, 40	\$500,000				\$500,000		
	Superior Street laterals	\$500,000				\$500,000		
	Manhole adjustments	\$50,000				\$50,000		
STORM PROJECTS								
	Superior Street with Steam/Transportation project	\$300,000						\$300,000
	Brewery Creek tuckpointing	\$260,000						\$260,000
	Annual Transportation projects	\$100,000						\$100,000
	Gary New Duluth system improvements	\$100,000						\$100,000
	Greys Creek	\$75,000						\$75,000
	Lower Coffee Creek	\$75,000						\$75,000
	City-wide driveway culvert project	\$75,000						\$75,000
	Norton Rd & Thurber Rd hydro & design (E Chester Creek)	\$40,000						\$40,000
	Manhole adjustments	\$50,000						\$50,000
	Non-capital storm projects	\$125,000						\$125,000
	Yearly Total	\$8,790,000	\$2,850,000	\$0	\$2,690,000	\$2,050,000	\$0	\$1,200,000

Capital Improvements Revenue	5533	\$2,850,000	\$0	\$2,530,000	\$2,000,000	\$0	\$1,025,000
Non-Capital Improvements	5535	\$0	\$0	\$160,000	\$50,000	\$0	\$175,000
Total (not including Patch)		\$2,850,000	\$0	\$2,690,000	\$2,050,000	\$0	\$1,200,000

2019 BUDGET

Project No	Project	Total Project Cost	Water cash	Water bond	Gas	Sanitary cash	Sanitary bond	Storm
WATER PROJECTS								
	Superior Street water main replacement	\$2,000,000	\$2,000,000					
	Far East Superior Street water main- services off 42-inch	\$600,000	\$600,000					
	Replace missing filter sand in 4 filters	\$175,000	\$175,000					
	Cathodic protection system on 42-inch steel (study)	\$80,000	\$80,000					
	Water main repair on East Superior Street (way east)	\$70,000	\$70,000					
	Fascia repairs at main pump building	\$50,000	\$50,000					
NATURAL GAS PROJECTS								
	Gas Main Extensions and Services-2019 Blanket	\$1,500,000			\$1,500,000			
	Meter relocations	\$300,000			\$300,000			
	Bollards	\$50,000			\$50,000			
	Building shell at Riveness	\$60,000			\$60,000			
	58th Ave West - 14-in replacement with 3-inch	\$200,000			\$200,000			
	Stora Enso flow meter	\$100,000			\$100,000			
	3 rd Street, Vernon, 2 nd Street Alley	\$200,000			\$200,000			
	Street projects	\$30,000			\$30,000			
	Uprate Upper Woodland	\$10,000			\$10,000			
SANITARY PROJECTS								
	Manhole adjustments	\$50,000				\$50,000		
	Lift station rehabilitation- 5, 15, 27, 30, 31, 32, 33, 40	\$500,000				\$500,000		
	Sanitary sewer rehabilitation/lining	\$1,500,000				\$1,500,000		
STORM PROJECTS								
	Superior Street with Steam/Transportation project	\$300,000						\$300,000
	TH39 (McCuen St in Gary) MNDOT coordination	\$200,000						\$200,000
	Brewery Creek tuckpointing	\$195,000						\$195,000
	Kenwood Ave. box culvert fish passage (Chester Creek)	\$125,000						\$125,000
	Gary New Duluth system improvements	\$100,000						\$100,000
	Annual Transportation projects	\$100,000						\$100,000
	Clarkhouse Creek	\$75,000						\$75,000
	City-wide driveway culvert project	\$75,000						\$75,000
	Norton Rd & Thurber Rd hydro & design (E Chester Creek)	\$25,000						\$25,000
	Piedmont Heights system improvements	\$20,000						\$20,000
	Manhole adjustments	\$50,000						\$50,000
	Non-capital storm projects	\$135,000						\$135,000
	Yearly Total	\$8,875,000	\$2,975,000	\$0	\$2,450,000	\$2,050,000	\$0	\$1,400,000

Capital Improvements Revenue	5533	\$2,925,000	\$0	\$2,360,000	\$2,000,000	\$0	\$1,215,000
Non-Capital Improvements	5535	\$50,000	\$0	\$90,000	\$50,000	\$0	\$185,000
Total (not including Patch)		\$2,975,000	\$0	\$2,450,000	\$2,050,000	\$0	\$1,400,000

2020 BUDGET

Project No	Project	Total Project Cost	Water cash	Water bond	Gas	Sanitary cash	Sanitary bond	Storm
WATER PROJECTS								
	Electrical upgrades at Lakewood Treatment Plant	\$1,500,000	\$1,500,000					
	Michigan Street with MN Power	\$1,000,000	\$1,000,000					
	Far East Superior Street water main- services off 42-inch	\$700,000	\$700,000					
	42-inch riveted steel inspection	\$550,000	\$550,000					
NATURAL GAS PROJECTS								
	Gas Main Extensions and Services-2020 Blanket	\$1,500,000			\$1,500,000			
	Misc. steel replacement	\$500,000			\$500,000			
	Meter relocations	\$200,000			\$200,000			
	Bollards	\$50,000			\$50,000			
	20th Ave. West, 23rd Ave. West, 10th Street	\$1,000,000			\$1,000,000			
	Street projects	\$30,000			\$30,000			
SANITARY PROJECTS								
	Manhole adjustments	\$50,000				\$50,000		
	Lift station rehabilitation- 5, 15, 27, 30, 31, 32, 33, 40	\$500,000				\$500,000		
	Sanitary sewer rehabilitation/lining	\$1,500,000				\$1,500,000		
STORM PROJECTS								
	City-wide pipe repairs & steep slope down drains	\$355,000						\$355,000
	Superior Street with Steam/Transportation project	\$300,000						\$300,000
	Greys Creek	\$200,000						\$200,000
	Gary New Duluth system improvements	\$100,000						\$100,000
	Piedmont Heights system improvements	\$100,000						\$100,000
	Annual Transportation projects	\$100,000						\$100,000
	City-wide culvert project	\$50,000						\$50,000
	Manhole adjustments	\$50,000						\$50,000
	Non-capital storm projects	\$145,000						\$145,000
	Yearly Total	\$10,480,000	\$3,750,000	\$0	\$3,280,000	\$2,050,000	\$0	\$1,400,000

Capital Improvements Revenue	5533	\$3,750,000	\$0	\$3,200,000	\$2,000,000	\$0	\$1,155,000
Non-Capital Improvements	5535	\$0	\$0	\$80,000	\$50,000	\$0	\$245,000
Total (not including Patch)		\$3,750,000	\$0	\$3,280,000	\$2,050,000	\$0	\$1,400,000

2021 BUDGET

Project No	Project	Total Project Cost	Water cash	Water bond	Gas	Sanitary cash	Sanitary bond	Storm
WATER PROJECTS								
	Lakeside main replacements Phase 1	\$1,000,000	\$1,000,000					
	Lakewood easement 12-inch water main	\$570,000	\$570,000					
	24th Ave. W- 3rd to 7th Street	\$300,000	\$300,000					
	Middle Pump Station	\$200,000	\$200,000					
	Cathodic protection system on 42-inch steel (construction)	\$100,000	\$100,000					
	Pump #4 study	\$50,000	\$50,000					
NATURAL GAS PROJECTS								
	Gas Main Extensions and Services-2021 Blanket	\$1,500,000			\$1,500,000			
	Misc. steel replacement	\$500,000			\$500,000			
	Bollards	\$50,000			\$50,000			
	Street projects	\$30,000			\$30,000			
SANITARY PROJECTS								
	Manhole adjustments	\$50,000				\$50,000		
	Lift station rehabilitation- 5, 15, 27, 30, 31, 32, 33, 40	\$500,000				\$500,000		
	Sanitary sewer rehabilitation/lining	\$1,500,000				\$1,500,000		
STORM PROJECTS								
	Norton Rd & Thurber Rd hydro & design (E Chester Creek)	\$555,000						\$555,000
	Clarkhouse Creek	\$200,000						\$200,000
	Gary New Duluth system improvements	\$100,000						\$100,000
	Piedmont Heights system improvements	\$100,000						\$100,000
	Lower Coffee Creek	\$100,000						\$100,000
	Annual Transportation projects	\$100,000						\$100,000
	City-wide driveway culvert project	\$50,000						\$50,000
	Manhole adjustments	\$50,000						\$50,000
	Non-capital storm projects	\$145,000						\$145,000
	Yearly Total	\$7,750,000	\$2,220,000	\$0	\$2,080,000	\$2,050,000	\$0	\$1,400,000

Capital Improvements Revenue	5533	\$2,220,000	\$0	\$2,000,000	\$2,000,000	\$0	\$1,155,000
Non-Capital Improvements	5535	\$0	\$0	\$80,000	\$50,000	\$0	\$245,000
Total (not including Patch)		\$2,220,000	\$0	\$2,080,000	\$2,050,000	\$0	\$1,400,000



2626 Courtland Street
Duluth, MN 55806-1894
phone 218.722.3336
fax 218.727.7471
www.wlssd.com

Western Lake Superior Sanitary District

August 4, 2016

City of Duluth
Mr. Jim Benning
207 City Hall
Duluth, MN 55802

Re: **WLSSD 2017 Budget and Notice of September 12, 2016 Capital Budget and Solid Waste Management Fee Public Hearings**

Dear Mr. Benning,

The District is developing its budget for calendar year 2017. This process will involve a detailed analysis of needed capital improvements as well as projected operating budgets to support current and planned solid waste and wastewater operating programs.

Enclosed is a copy of the 2017 budgeting schedule which will be followed by District Board and staff over the next few months. As you can see, this process will involve input and review by the WLSSD Board and Committee of the Whole at several key points. You are invited to attend or send representatives to these meetings. The specific date and time of the meetings will be established well in advance of the actual meetings. Should this schedule be changed, you will be promptly notified by mail. **This letter also serves as notice that the public hearings on the wastewater capital budget in the estimated amount of \$15,000,000 and Solid Waste Management Fee will be held on September 12, 2016 beginning at 4 pm in the WLSSD Board Room located at 2626 Courtland Street, Duluth.**

If you have any questions regarding the budgeting process, please feel free to contact me at 740-4788, or by e-mail at cathy.remington@wlssd.com.

Sincerely,

A handwritten signature in black ink, appearing to read 'Cathy A. Remington', is written over a light blue circular stamp.

Cathy A. Remington
Director of Finance

2017 Budget Schedule

August 11 (Thursday) - Finance Committee Meeting to review 2017 O&M budgets and assumptions and draft Wastewater and Solid Waste Capital budgets

August 24 (Wednesday) – Finance Committee Meeting to review the 2017 O&M and draft of Wastewater and Solid Waste Capital budgets

August 29 (Monday) – Committee of the Whole Meeting to review the 2017 O&M and draft Wastewater and Solid Waste Capital budgets

September 7 (Wednesday) – Finance Committee review of the O&M and Capital budgets

September 12 (Monday) – Public Hearing on Solid Waste Management Fee

September 12 (Monday) - Public Hearing on Capital Budget (must be held before projects are authorized)

September 22 (Thursday) – Finance Committee review of the total District budget

September 26 (Monday) – Committee of the Whole review of the total District budget

September 26 (Monday) – Certification to County Auditors of the Solid Waste Management Fee

September 26 (Monday) – 2017 Budget Approved by WLSSD Board

– Latest date for approval is Monday, October 31, 2016