

1st Reading: March 26, 2018
2nd Reading: April 9, 2018

Presented By:
Utility Manager

Action Taken:
Yes 5
No 0
Abstain 0

CITY OF NOME, ALASKA

ORDINANCE NO. O-18-03-02

**AN ORDINANCE APPROVING THE 2018 OPERATIONS AND MAINTENANCE BUDGET FOR
NOME JOINT UTILITY SYSTEM**

SECTION 1

This is a non-Code ordinance.

SECTION 2

WHEREAS, Chapter 15.10.010, Nome Code of Ordinances, states the Council reserves the power and authority to approve or disapprove all budgets of the Nome Joint Utilities System; and,

WHEREAS, the Nome Joint Utility Board has adopted Utility Resolution No. 18-01 recommending an Operating and Maintenance Budget for FY18 as follows:

Estimated Revenues	\$12,217,115
Operations & Maintenance Expense (prior to non-cash depreciation)	<u>\$11,258,708</u>
Net Operating Margin	\$ 958,408; and,

WHEREAS, the cash margins will be used to fund the 2018 required extraordinary control systems upgrades, annual Bond and Debt Service Principal payments and fuel inventory which are not a part of or included as operating-maintenance expenses in the Operation and Maintenance Budget; and,

NOW, THEREFORE, BE IT ORDAINED by the Common Council of Nome, Alaska that the 2018 Operations & Maintenance Budget as recommended by the Nome Joint Utilities Board is hereby approved.

APPROVED and SIGNED the 9th day of April, 2018.


RICHARD BENEVILLE, Mayor

ATTEST:


BRYANT HAMMOND, Clerk



NOME JOINT UTILITY SYSTEM

FISCAL YEAR 2018 OPERATIONS & MAINTENANCE BUSINESS PLAN

	2016 ACTUAL	2017 BUDGET	2017 PROJECTED	2018 BUDGET
SUMMARY:				
REVENUE				
ELECTRIC	9,237,306	9,207,800	8,593,664	8,597,800
INTER-DEPARTMENTAL ELECTRIC	850,620	845,000	761,879	786,500
WATER/SEWER	2,464,057	2,451,463	2,557,458	2,497,190
GARBAGE	106,764	109,375	106,250	109,375
LANDFILL	-	-	9	16,500
	12,658,747	12,613,638	12,019,260	12,007,365
OTHER INCOME				
NON-OPERATING INCOME, ELECTRIC	156,811	166,700	174,129	168,750
NON-OPERATING INCOME, WATER/SEWER	35,802	45,000	147,731	41,000
	192,613	211,700	321,860	209,750
GRAND TOTAL REVENUE	12,851,360	12,825,338	12,341,120	12,217,115
EXPENSES				
ELECTRIC				
GENERATION	7,637,615	7,721,078	7,163,984	7,695,705
DISTRIBUTION	1,093,053	1,334,016	1,222,540	1,407,455
	8,730,668	9,055,094	8,386,524	9,103,160
WATER & SEWER				
EXPENSE	2,071,815	2,172,985	1,959,512	2,146,948
TRUCKED WATER	-	-	-	-
GARBAGE	56,169	56,440	53,464	55,600
DEPRECIATION (GENERAL PLANT)	(42,768)	(55,000)	(42,586)	(47,000)
GRAND TOTAL EXPENSES - LESS DEPRECIATION	10,815,883	11,229,519	10,356,914	11,258,708
NET MARGIN (DEFICIT) PRIOR TO DEPRECIATION	2,035,477	1,595,819	1,984,206	958,407
DEPRECIATION	5,489,395	5,848,500	5,664,171	5,906,900
TOTAL MARGIN (DEFICIT)	(3,458,918)	(4,252,681)	(3,679,965)	(4,948,493)
DEPRECIATION				
ELECTRIC GENERATION	1,750,466	1,806,000	1,816,117	1,831,000
ELECTRIC DISTRIBUTION	761,672	810,000	757,384	758,300
WATER & SEWER	2,934,489	3,177,500	3,048,084	3,270,600
GENERAL PLANT	42,768	55,000	42,586	47,000
TOTAL DEPRECIATION	5,489,395	5,848,500	5,664,171	5,906,900

	2016 ACTUAL	2017 BUDGET	2017 PROJECTED	2018 BUDGET
ELECTRICITY				
ELECTRIC GENERATION				
OPERATING EXPENSES				
COST OF FUEL				
Diesel fuel - Snake Plant	4,404,137	4,200,000	3,891,654	4,200,000
PURCHASED WIND POWER	-	-	-	-
OPERATIONS EXPENSES				
Fuel handling labor	42,686	45,000	35,078	40,000
Fuel handling - insurance and legal	12,072	8,000	24,371	12,000
Fuel handling - electricity	8,158	10,000	7,101	8,500
Fuel handling - other	27,347	15,000	21,073	15,000
Pollution Liability Insurance	40,155	40,500	40,512	40,500
Wind Farm Expenses	169,571	220,000	213,607	220,000
Labor - supervision	95,728	170,000	144,552	160,000
Labor - operations	784,085	800,000	758,624	730,000
Lube oil	60,959	60,000	8,119	33,200
General labor	-	1,000	-	-
Other	7,872	8,000	10,643	9,000
Safety supplies	-	2,000	22,698	8,000
Air permit charges	26,148	30,000	18,107	20,000
Oil spill contingency plan	651	3,000	942	1,000
Fuel spill cleanup and prevention	2,649	5,000	493	3,000
Engineering expense	29,052	25,000	21,531	30,000
Office expense & communications	25,723	22,000	28,864	26,000
Emission testing	63,522	50,000	77,473	35,000
TOTAL OPERATIONS EXPENSES	1,396,378	1,514,500	1,433,788	1,391,200
MAINTENANCE				
Generator maintenance materials	760	20,000	-	30,000
Generator maintenance #12	177		80	
Generator maintenance #15	12,403		18,978	
Generator maintenance #16	34,741		14,199	
Generator maintenance #18			-	
Generator maintenance #14			7,948	
Amortize deferred maintenance - #14	2,910		3,880	3,924
Amortize deferred maintenance - #16	49,453	51,677	51,676	88,850
Amortize deferred maintenance - #15	105,949	107,608	107,608	108,385
Total Generator Maintenance	206,393	179,285	204,369	231,159
Labor		110,000	-	90,000
Labor #9			561	
Labor #11			-	
Labor #12	4,193		8,449	
Labor #15	18,970		16,675	
Labor #16	26,854		18,791	
Labor #18	56,006		89	
Labor #14	6,514		6,398	
Total Labor	112,537	110,000	50,963	90,000
General supplies	3,567	5,000	3,441	4,000
Vehicle expense	19,599	20,000	19,678	20,000
Training	9,811	10,000	7,593	40,000
Electrical maintenance and parts	31,641	120,000	99,909	135,000
Fuel tank maintenance and parts	47,683	40,000	26,082	20,000
Amortize deferred tank maintenance	13,213	44,440	74,221	62,784
Fuel testing	121	1,000	405	1,000

	2016 ACTUAL	2017 BUDGET	2017 PROJECTED	2018 BUDGET
Tools and shop equipment	13,022	10,000	12,709	10,000
Building maintenance and other	92,046	95,000	117,193	125,000
Boiler and machinery insurance	42,075	47,000	49,075	42,700
Property Insurance	164,478	165,000	174,332	190,000
Total Other	437,256	557,440	584,638	650,484
TOTAL MAINTENANCE EXPENSES	756,186	846,725	839,970	971,643
STATION POWER USAGE	463,410	490,000	409,606	440,000
ALLOCATED COSTS				
General & Administrative - 40%	370,147	437,154	387,066	485,514
TOTAL OPERATIONS EXPENSE	7,390,258	7,488,379	6,962,084	7,488,357
FINANCING COSTS				
Bond interest - \$4.0M New Power Plant	94,070	85,150	73,583	73,650
Note interest - \$5.3M Water Pumphouse	55,955	59,625	51,958	47,888
Bond Refunding Loss Writeoff	5,088	5,088	5,088	5,088
Fuel loan interest	92,244	82,836	71,271	80,722
TOTAL FINANCING COSTS	247,357	232,699	201,900	207,348
DEPRECIATION	1,750,466	1,806,000	1,816,117	1,831,000
TOTAL GENERATION EXPENSES	9,388,081	9,527,078	8,980,101	9,526,705
ELECTRIC DISTRIBUTION				
OPERATIONS EXPENSES				
Metering	9,385	35,000	9,681	35,000
Engineering	-	3,000	-	6,000
Office expense & communication	8,542	13,000	10,348	13,000
Street lighting	3,459	5,000	5,335	5,000
TOTAL OPERATIONS EXPENSES	21,386	56,000	25,364	59,000
MAINTENANCE EXPENSES				
Maintenance labor	505,174	620,000	574,378	650,000
Apprentice training - labor	-	-	13,938	-
Turtle meters - labor	-	40,000	32,530	40,000
Maintenance of building	4,039	4,000	5,049	4,000
Maintenance materials	39,052	40,000	28,633	40,000
Engineering	-	3,000	-	3,000
Vehicle	48,118	50,000	71,642	50,000
Supplies & Safety Supplies	2,615	3,000	2,946	4,000
Other	8,025	15,000	15,757	15,000
Property insurance	6,168	6,000	6,538	3,160
TOTAL MAINTENANCE EXPENSES	613,191	781,000	751,411	809,160
In-house electricity usage	6,260	8,000	5,110	6,500
ALLOCATED COSTS				
Consumer accounting allocation - 55%	154,464	155,210	147,025	152,900
General and admin allocation - 21%	194,327	229,506	203,209	254,895
	348,791	384,716	350,234	407,795
PAYMENT IN LIEU OF TAXES	78,000	78,000	78,000	110,000
PERS Relief Expense	25,425	26,300	12,421	15,000
DEPRECIATION	761,672	810,000	757,384	758,300
TOTAL DISTRIBUTION EXPENSES	1,854,725	2,144,016	1,979,924	2,165,755

	2016 ACTUAL	2017 BUDGET	2017 PROJECTED	2018 BUDGET
ELECTRIC SYSTEM OPERATING REVENUE				
Electric revenue	5,378,957	5,600,000	5,383,037	5,400,000
Street lighting	54,001	45,000	42,310	45,000
Fuel adjustment	3,727,494	3,500,000	3,122,042	3,100,000
Late charges	19,973	15,000	14,987	15,000
Pole attachment revenue	27,810	27,800	27,810	32,800
MJC income	29,071	20,000	3,478	5,000
BASE REVENUE TOTAL	9,237,306	9,207,800	8,593,664	8,597,800
INTERDIVISIONAL REVENUE				
Electric charges	850,620	845,000	761,879	786,500
TOTAL OPERATING REVENUE	10,087,926	10,052,800	9,355,543	9,384,300
NON-OPERATING REVENUE				
Interest income	687	700	703	700
ARECA insurance income	(75,007)	-	-	-
Other income	192,307	120,000	123,019	120,000
Excess Space Rental	-	-	-	-
Bond Refunding Gain	33,048	26,000	33,048	33,050
PERS Relief - Electric	14,356	20,000	12,421	15,000
Vehicle rental income	(8,580)	-	4,938	-
TOTAL NON-OPERATING REVENUE	156,811	166,700	174,129	168,750
TOTAL REVENUE	10,244,737	10,219,500	9,529,672	9,553,050
GENERATION EXPENSES	9,388,081	9,527,078	8,980,101	9,526,705
DISTRIBUTION EXPENSES	1,854,725	2,144,016	1,979,924	2,165,755
TOTAL EXPENSES	11,242,806	11,671,094	10,960,025	11,692,460
MARGIN	(998,069)	(1,451,594)	(1,430,353)	(2,139,410)
	1,514,069	1,164,406	1,143,148	449,890

	2016 ACTUAL	2017 BUDGET	2017 PROJECTED	2018 BUDGET
WATER AND SEWER				
WATER				
WATER DISTRIBUTION				
OPERATIONS				
Labor - Superintendent	155,307	165,000	172,240	177,000
Labor - Operations	42,483	50,000	48,415	50,000
Labor - Customer Serv Calls	2,254	2,000	1,487	2,000
Training & Certification	16,996	13,000	8,904	10,000
Safety Labor & Supplies	-	1,000	732	2,000
Office expense & communications	24,863	22,000	24,622	24,000
Supplies	3,442	6,000	4,035	5,000
Heating Oil	35,325	40,000	39,158	40,000
Building Repairs	11,951	5,000	2,864	5,000
Electricity	27,202	32,000	24,747	28,000
Engineering	12,097	15,000	14,207	75,000
Vehicle Expense	50,763	45,000	87,301	45,000
Customer Claims	-	2,000	2,550	2,000
Asset Disposal Cost	-	-	-	-
Other Expenses	9,185	15,000	6,320	8,000
TOTAL OPERATIONS EXPENSE	391,868	413,000	437,582	473,000
MAINTENANCE				
Labor - Maintenance	177,453	115,000	119,117	115,000
Labor - Summer Maintenance	5,181	25,000	3,676	50,000
Labor - Cust Serv Calls	7,417	5,000	2,877	5,000
Supplies for Water Mains	18,995	7,000	26,456	20,000
Electricity	165,565	170,000	156,211	170,000
Equipment (heavy duty) expense	4,512	5,000	5,427	5,000
Other Expenses	6,432	4,000	8,890	8,000
TOTAL MAINTENANCE EXPENSE	385,555	331,000	322,654	373,000
TOTAL WATER DISTRIBUTION EXPENSE	777,423	744,000	760,236	846,000
WATER TREATMENT				
Labor - Operations & Maintenance	27,140	80,000	39,071	45,000
Labor - Testing	29,627	30,000	31,803	30,000
Water Testing Supplies & Laboratory	3,291	5,000	8,063	5,000
Fluoride	2,431	3,000	1,584	2,000
Electricity	19,325	20,000	19,236	22,000
Property insurance	10,280	10,100	10,896	33,400
Other Expenses	4,808	5,000	4,838	5,000
TOTAL WATER TREATMENT EXPENSE	96,902	153,100	115,491	142,400
TOTAL WATER SYSTEM	874,325	897,100	875,727	988,400
WASTEWATER				
COLLECTION O & M				
Labor - Operations & Maintenance	196,704	150,000	129,421	135,000
Labor - Cust Serv Calls	7,418	5,000	4,132	5,000
Testing Supplies & Laboratory	7,327	7,000	10,575	7,000
Electricity	128,326	125,000	111,001	120,000
Equipment (heavy duty) expense	2,570	3,000	-	3,000
Other Expenses	3,148	6,000	10,884	12,000
TOTAL COLLECTION EXPENSE	345,493	296,000	266,013	282,000
TREATMENT O & M				
Labor - Operations	11,527	40,000	15,910	17,000
Labor - Testing	4,368	6,000	945	4,000
Labor - Safety & Training	13,097	15,000	4,142	10,000
Property insurance	20,560	22,000	21,791	6,850
TOTAL TREATMENT EXPENSE	49,552	83,000	42,788	37,850
TOTAL SEWER SYSTEM EXPENSE	395,045	379,000	308,801	319,850
TOTAL WATER & SEWER EXPENSE	1,269,370	1,276,100	1,184,528	1,308,250

	2016 ACTUAL	2017 BUDGET	2017 PROJECTED	2018 BUDGET
WATER AND SEWER SYSTEM OPERATING REVENUE				
Piped Water	1,147,732	1,203,900	1,275,821	1,245,000
Piped Water - Mandatory Subscription	2,511	2,352	2,604	2,600
Piped Water - Fire Hydrants	1,932	2,091	2,091	2,090
Self-Haul Customers & Large Fill Users	12,531	14,100	13,562	14,000
MJC Income	184,561	40,000	56,152	40,000
Sewer Revenue	1,111,776	1,185,700	1,204,068	1,190,000
Sewer Mandatory Subscription	3,014	2,820	3,125	3,000
Sewer Dumping Revenue - STP	-	500	35	500
BASE REVENUE TOTAL	2,464,057	2,451,463	2,557,458	2,497,190
NON-OPERATING REVENUE				
Other income	4,023	5,000	39,632	10,000
Asset Disposal	7,350	10,000	-	10,000
PERS Relief - Water & Sewer	24,429	30,000	21,149	21,000
Equipment Rental Income	-	-	86,950	-
TOTAL NON-OPERATING REVENUE	35,802	45,000	147,731	41,000
TOTAL REVENUE	2,499,859	2,496,463	2,705,189	2,538,190
DIRECT EXPENSES				
Water Distribution and Treatment	874,325	897,100	875,727	988,400
Wastewater Collection and Treatment	395,045	379,000	308,801	319,850
Total Direct Expenses	1,269,370	1,276,100	1,184,528	1,308,250
FINANCING COSTS				
Interest - RUS Bond (1998)	39,483	39,122	38,798	39,025
Interest - RUS 200K Loan (2005)	5,040	4,429	4,600	4,156
Interest - RUS 613K Loan (2006)	26,864	25,217	23,485	23,790
Interest - DEC Clean Water #627131	2,803	2,598	2,603	2,400
Interest - DEC Drinking Water #627111	5,015	5,365	4,657	4,300
Interest - DEC Clean Water #627141	22,308	33,345	19,502	18,600
Interest - DEC Drinking Water #627161	13,160	38,333	9,280	8,850
Interest - DEC Drinking Water #627171	2,004	2,000	2,004	2,000
Interest - DEC Clean Water #627181	3,696	3,700	3,696	3,700
Interest - DEC Clean Water #627211	15,996	16,000	15,996	16,000
Interest - DEC Drinking Water #627221	12,996	13,000	12,996	13,000
Total Financing Costs	149,365	183,109	137,617	135,821
ALLOCATED COSTS				
Consumer Accounting - 25%	70,211	70,550	66,830	69,500
General & Administrative - 38%	360,893	426,226	377,389	473,377
	431,104	496,776	444,218	542,877
PAYMENT IN LIEU OF TAXES	172,000	172,000	172,000	140,000
PERS Relief Expense	49,976	45,000	21,149	20,000
DEPRECIATION				
Water & Sewer System	2,665,972	2,906,000	2,779,567	3,002,000
Icy View System	215,461	216,000	215,461	215,500
New Sewer Treatment Plant	34,840	34,900	34,840	34,900
Aeration Plant	18,216	20,600	18,216	18,200
TOTAL DEPRECIATION	2,934,489	3,177,500	3,048,084	3,270,600
TOTAL EXPENSES	5,006,304	5,350,485	5,007,596	5,417,548
MARGIN (LOSS)	(2,506,445)	(2,854,022)	(2,302,407)	(2,879,358)
	428,044	323,478	745,677	391,242

	2016 ACTUAL	2017 BUDGET	2017 PROJECTED	2018 BUDGET
TRUCKED WATER				
REVENUE	-	-	-	-
EXPENSES				
Vehicle Expense (Fuel, Garage)	-	-	-	-
Allocated Cost: General and Admin. - 1%	-	-	-	-
TOTAL EXPENSES	-	-	-	-
MARGIN	-	-	-	-

GARBAGE/LANDFILL				
SERVICES BILLED				
Residential Garbage	341,249	340,000	349,403	345,000
Commercial Garbage	548,448	535,000	535,772	530,000
TOTAL SERVICES BILLED	889,697	875,000	885,175	875,000
PAYMENTS TO CONTRACTOR				
Garbage Billing Contract	782,933	765,625	778,925	765,625
NET REVENUE FROM BILLING CONTRACT [12%]	106,764	109,375	106,250	109,375
CITY LANDFILL				
Landfill Fees Billed	341,770	330,000	331,905	330,000
Landfill Fees Paid to City of Nome	(341,770)	(330,000)	(331,896)	(313,500)
Billing Revenue from City of Nome	-	-	9	16,500
EXPENSES				
Allocated: Consumer Accounting - 20%	56,169	56,440	53,464	55,600
MARGIN	50,595	52,935	52,795	70,275

	2016 ACTUAL	2017 BUDGET	2017 PROJECTED	2018 BUDGET
ADMINISTRATIVE				
ADMINISTRATION SALARIES & PAYROLL COSTS				
Manager	186,576	190,000	203,579	214,000
Accounting labor	211,574	223,000	212,213	220,000
Finance officer, plus Assistant Manager	70,537	177,000	114,967	299,000
Administrative assistants	113,929	127,000	101,985	130,000
TOTAL ADMINISTRATION SALARIES	582,616	717,000	632,744	863,000
OFFICE EXPENSE				
Office expense	50,766	55,000	59,974	60,000
Admin office utilities	32,374	35,000	24,989	30,000
TOTAL OFFICE EXPENSE	83,140	90,000	84,963	90,000
GENERAL EXPENSES				
General expenses	2,448	2,000	2,717	2,500
Vehicle expenses - Manager	13,031	12,000	12,118	12,000
Administrative Travel	4,559	5,000	12,005	9,000
TOTAL MANAGER EXPENSE	20,038	19,000	26,840	23,500
OUTSIDE SERVICES				
Audit	53,727	45,000	47,118	45,000
Computer consultant	11,440	30,000	11,433	25,000
Legal	90	8,000	6,329	8,000
Cost of Service/Rate Design	-	-	-	-
Environmental Investigation	53,413	35,000	31,525	10,000
Grant write/other contract mgmt assist	-	-	-	-
Janitor	9,945	9,950	8,940	9,950
Union negotiations	-	-	833	-
Federal lobbying	-	3,000	-	3,000
State lobbying	-	3,000	-	3,000
TOTAL OUTSIDE SERVICES	128,615	133,950	106,178	103,950
OTHER EXPENSES				
Vehicle expense - Administration	3,743	6,000	11,496	10,000
Board fees and insurance	38,505	40,000	21,608	38,000
Dues and subscriptions	19,651	16,000	19,877	20,000
Advertising	990	3,000	1,794	2,000
Other	2,967	6,000	11,476	8,000
Board travel	-	2,000	960	2,000
Injuries and damages	-	2,000	-	1,500
Depreciation of general plant	42,768	55,000	42,586	47,000
Board errors/omissions insurance	2,334	2,336	2,335	2,336
Training	-	600	4,807	2,500
OTHER EXPENSES TOTAL	110,958	132,936	116,939	133,336
TOTAL ADMINISTRATIVE EXPENSES	925,367	1,092,886	967,664	1,213,786
ALLOCATION TO:				
Electric generation - 40%	370,147	437,154	387,066	485,514
Electric distribution - 21%	194,327	229,506	203,209	254,895
Water and sewer - 39%	360,893	426,226	377,389	473,377
TOTAL ALLOCATIONS	925,367	1,092,886	967,664	1,213,786

	2016 ACTUAL	2017 BUDGET	2017 PROJECTED	2018 BUDGET
CONSUMER ACCOUNTING				
OPERATING EXPENSES				
Consumer accounting salaries	166,714	172,000	165,258	169,000
Meter reading	28,621	30,000	20,876	25,000
Bad debt expense	20,400	20,400	20,400	20,400
Small claims fees	810	2,000	749	2,000
Computer and billing supplies	9,178	11,000	15,612	14,000
Postage	4,220	7,000	4,225	6,000
Computer consultant	24,053	18,000	18,048	21,600
Billing office expenses	5,230	5,000	6,294	5,000
Billing office utilities	15,359	15,000	15,856	15,000
Credit card acceptance costs	6,258	1,800	-	-
TOTAL CONSUMER ACCOUNTING	280,843	282,200	267,318	278,000

ALLOCATION TO:

Electric distribution - 55%	154,464	155,210	147,025	152,900
Water and sewer - 25%	70,211	70,550	66,830	69,500
Solid waste - 15% + below	42,126	42,330	40,098	41,700
Dump billing - 5% (total = 20%)	14,042	14,110	13,366	13,900
TOTAL ALLOCATIONS	280,843	282,200	267,318	278,000

	2016 ACTUAL	2017 BUDGET	2017 PROJECTED	2018 BUDGET
APPARENT CASH FLOW				
NET MARGIN (DEFICIT) PRIOR TO DEPRECIATION	2,035,477	1,595,819	1,984,206	958,407
Amortization of Deferred Debits (non-cash use):				
Deferred generator maintenance - #15		107,608	107,608	108,385
Deferred generator maintenance - #16	-	51,677	51,676	88,850
Deferred fuel tank maintenance	13,213	44,440	74,221	62,784
	13,213	203,725	233,505	260,019
	2,048,690	1,799,544	2,217,711	1,218,426
Debt Service Requirements (Principal):				
AMBBA - New Power Plant (2005)	190,000	-	-	-
AMBBA - New Power Plant Refinance	180,000	190,000	190,000	195,000
RUS Bond (1998)	19,973	21,954	21,992	23,078
RUS Loan (2005)	9,514	10,519	10,348	10,793
RUS Loan (2006)	7,649	8,746	8,436	8,712
DEC ADWF #627061 (2008) PPlt Wtr Plnt	266,451	266,451	266,043	266,043
DEC ACWF #627131 (2008)	13,346	13,326	13,013	13,013
DEC ADWF #627111 (2008)	23,881	23,881	23,750	23,750
DEC ACWF #627141 (2014-15)		60,574	60,574	61,483
DEC ADWF #627161 (2014-15)		28,825	28,825	29,258
DEC ADWF #627171 (Equip)		18,866		18,866
DEC ACWF #627181 (Equip)		35,139		35,139
DEC ACWF #627211		70,043		-
DEC ADWF #627221		54,926		-
Icy View Phase I (DEC #627011)	29,656	-		-
Icy View Phase II (DEC #627021)	32,737	-		-
Principal/Capital Lease Payments	773,206	803,250	622,981	685,135
	1,275,484	996,294	1,594,730	533,291
Fuel Inventory:				
Principal (City of Nome) 2015-2016*	3,707,403			
*1.075MM bond proceeds not used also applied				
Principal 2016-2017*	1,520,827	2,919,058	2,919,038	-
*160.1K bond proceeds not used also applied				
Principal 2017-2018 Northrim		2,103,274	1,817,691	2,582,309
Principal 2018-2019 (\$5.3MM projected)				2,188,053
Less: school payment for fuel	(605,200)	(464,100)	(292,600)	(438,600)
fuel cost in expense	(4,404,137)	(4,200,000)	(3,891,654)	(4,200,000)
	218,893	358,232	552,475	131,762
	1,056,591	638,063	1,042,255	401,529
Deferred Debits:				
Additions (use of cash)				
Tank Farm Maintenance	22,105	30,000	99,451	30,000
Wartsila PLC Upgrade			135,657	170,000
Generator #15 Overhaul	593,572		-	-
Generator #16 Overhaul	83,255	400,000	301,752	-
	698,932	430,000	536,860	200,000
ARECA Insurance - Equity (non-cash)	(75,007)	-	-	-
Balance provided from current operations available for capital grant participation	432,666	208,063	505,395	201,529
Projected investment in capital assets	-	-	-	-
Projected Cash Result	432,666	208,063	505,395	201,529

NOME JOINT UTILITY BOARD

Meeting Date: February 20, 2018



2018 OPERATIONS & MAINTENANCE BUSINESS PLAN

Resolution 18-01: A Resolution to the Nome Common Council recommending acceptance and approval of the proposed Nome Joint Utility System Fiscal Year 2018 Operations and Maintenance Budget

The Board held a work session on January 16, 2018, to review and discuss the initial management-submitted budget draft. Board concerns and items were subsequently incorporated into a revision for consideration. Due to several board members being scheduled out of town during the ensuing period, we did not find a convenient time when the Board could meet in between regular meeting dates to review the revisions and formally adopt the 2018 Plan.

Following is a narrative relative to items contained in the 2018 plan and changes that are reflected from 2017.

The Utility has continued to keep expenses in check. Prior personnel schedule changes both streamlined operations and resulted in expense reductions. Both 2016 and 2017 were periods of change with retirements of long-term employees and recruitment of new employees to refill positions.

The 2018 business plan has been prepared, not just looking at 2018, but beyond as there will be other retirements on the horizon. Addressing these to insure continuity, continued realignment of duties, and training of new personnel for the future has been considered.

A review of 2017 does reflect some variations in both revenues and expenses, but also estimates an overall increase in resulting cash, and the Utility has and continues to meet all of its financial obligations in a timely manner.

Power rates were last updated in August 2015 and a change to water-sewer rates was effective as of November 2016. Due to lower fuel costs with the 2017 summer purchase, the fuel surcharge was recalculated and a reduced rate was effective as of October 2017. Based on projections for both sales revenue and expenses for 2018, there are no base rate increases proposed or believed to be required to meet the 2018 operating budget or debt service requirements. Fuel costs are projected to be higher, which if they do occur will result in a higher fuel surcharge in fall 2018.

However, looking forward, needs of the water-sewer system must be addressed. While we continue to seek out grant funding opportunities, the suspension of the ADEC Municipal Matching Grant Program will likely require the Utility to finance replacements of systems through loans beginning in 2018-2019, and servicing of this debt will require consideration of rate changes in the future.

All positions budgeted for 2017, which had vacancies in both 2016 and 2017 are now filled.

NSEDC has graciously continued to reimburse NJUS for the cost of fuel interest under a variance from their bulk fuel purchase program (as Nome does not “fit” within their general program), and interest reimbursement is projected again as other income.

Water-sewer revenue has been pretty consistent as well between 2016-2017.

Power Generation

Electric sales in 2017 mirrored those in 2016. There are no known significant changes in the community that we believe will significantly impact power consumption. The 2018 plan anticipates kilowatt sales will continue to stay fairly constant at slightly more than 29 million for the year.

Fuel pricing in 2017 was a welcome surprise and did not raise to the levels that had been projected in budget preparation. However, prices later in the year were higher, and this trend has continued in to the beginning of 2018. Pricing is pure speculation, but as noted are showing an upward trend. As a result, we are projecting for budgeting purposes that the next fuel purchase could be about \$0.40/gallon higher than 2017 actual. We have projected and included additional loan requirements to fund the purchase, a mid-year increase in fuel expense and a corresponding change to the fuel surcharge effective with the receipt of the new fuel delivery.

We are again projecting the wind farm will provide up to 2MM kilowatts and reduce diesel consumption by over 120K gallons. This projection does not include production from the smaller Entegriity turbines. We have included \$30,000 to potentially bring some of these turbines back online, but must still complete an analysis to determine whether this action would contribute positively to the wind farm operation.

During 2017, a major overhaul of a Wärtsilä generator was performed. We saved 25% based on total parts value by pre-ordering the majority of the parts under an incentive offered by Wärtsilä for ordering before year-end 2016. An overhaul will not again be required for 24,000 hours, and considering two units with one only in operation, the amortization period is set at 60 months as opposed to the previously suggested 36 months.

The Wärtsilä units require a PLC upgrade, which had been initially planned for 2017. After considering options, it was determined to go through Electric Power Systems to maintain continuity with our SCADA system as opposed to a separate system through Wartsila. EPS estimated the cost at \$280K with utilization of NJUS electrician to provide assistance (which if through EPS would add an estimated additional \$40K). In 2017, \$136K for engineering and parts was booked, leaving \$144K for the actual installation and programming in 2018. While we now have an electrician on staff, we have included \$170K to complete the project, including a contingency as the price provided was an estimate.

The second Wärtsilä engine will potentially come due for its major maintenance overhaul in summer 2019. The likely cost is in the neighborhood of \$450K. Based on 5 years projected

between major overhauls, based on current use patterns the units will again come due in 2022 and 2024.

The Power Plant is once again fully staffed with 8 employees, including the foreman and electrician. This is the minimum number required to fully cover operations and not incur unnecessary overtime. In addition to the diesel plant, the power plant staff must also care for the windfarm and performs most maintenance tasks on our vehicle and equipment fleet.

With new personnel, providing adequate training is a required component. Funding has been included in the budget for some key safety training. In addition to some routine training required by contract (in first aid and CPR), two major items are required for safety: An Arc-Flash study and related employee training (\$24K) and Wind Turbine Tower & Rescue (\$13K).

Lube oil expense is included at a reduced cost, based on projected actual use. Past practice was to write off each year's lube purchases, but oil on hand should have been maintained in an inventory account. 2017's expense was adjusted to reflect the quantity of oil that was actually on hand at 12/31, and that used each month will be booked as the expense in 2018 and beyond.

Insurance coverage was thoroughly reviewed in the 2018 renewal. Overall, the premiums mirrored those in 2017, but there were changes to the insurance coverage list. After this review, the spread of premiums between power and water-sewer were revised. Likewise, expensing of the \$250K PILOT payment was revised based on a review of the current list of assets for power and water-sewer.

Electric Distribution

The line department is staffed by three linemen, as it has been for several years, and in 2016 we added the apprentice, for a total staff of four. This is a minimum crew. During summer months when we need to tackle heavy maintenance, we have included bringing in a union hall lineman for three months (as has been the practice for several years).

We are including funding for additional meters again this year to continue the replacement of 15+ year old meters where the prior Turtle transmitters are no longer functioning and require manual reading. We are in the process of deploying additional meters currently on hand, and will also be refurbishing some older but still serviceable meters that are turtle-equipped.

We are not projecting utilization of the line crew for any outside construction activities (such as previous years with new hospital feeder, bridge utility reroutes) and that they dedicate their full effort to maintaining the existing system. As usual, we do expect some requests for additional customer hookups, and if it exceeds the one pole-one transformer-one span of line, the customer must provide a contribution in aid for the extra materials and labor.

Electric Revenue

As noted previously, kilowatt sales are anticipated to mirror 2017 at the current rates. If community power use continues as projected, these rates will provide the necessary revenue for operations and maintenance. No rate changes are included, other than the previously mentioned fuel surcharge change, which is totally dependent on our actual fuel price.

Water-Sewer

The water-sewer department is staffed by one superintendent and three operators. Four employees in this department are the minimum to meet operating-maintenance and significant reporting requirements. ADEC regulations require certification of operators, based both on training requirements and actual system operation hours. Meeting these requirements is a challenge statewide. Two operators, the superintendent and assistant manager have varying levels of certification, but with the retirement of Jay Wieler, we are having to work with ADEC on upgrading the certifications of others. The educational-classroom training, as mentioned, is but one component; the other being actual hands-on experience, that only comes with time. Jerry West will be going to Barrow in April for classes that will make him eligible for the next level of certification.

Water-sewer operators are split in to four certification disciplines: water treatment, water distribution, wastewater treatment and wastewater collection. Personnel costs have been split over these areas, and may vary by discipline but not in the aggregate depending on activity and area of concentration (and where expensed) for certification experience purposes.

In the 2018 business plan, we are including two summer hires to be able to concentrate on valve exercising, fire hydrant flushing and sewer system flushing.

Engineering expense is budgeted at \$75K, a significant increase from operating expense in the past. \$60K of the budgeted expense is for drilling to further delineate the efforts that will be required in the King Place area, and an estimated \$5K to develop the River Street Lift Station plans. Our engineering efforts in the past have mostly related to water-sewer replacement, and were eligible for inclusion in construction projects. If we actually had a project funded, some of these pre-engineering costs would likely be eligible for funding consideration, or could be used as matching funds.

As noted under Power Generation, both insurance premium and PILOT spreads were reviewed and revised between power and water-sewer.

Water-Sewer Revenue

Water-sewer revenue has been projected based on the rate change that was implemented in November 2016. We do expect a slight decrease as customers work to reduce their water consumption by insuring fixtures are not unnecessarily running.

In 2017, we were able to capture some revenue from equipment rented to the east end construction project. There is no planned equipment rental in 2018.

We continue to project "MJC" (miscellaneous job cost) revenues for the sale of Arctic pipe and fittings to the community. (Local merchants contacted in the past simply were uninterested in maintaining the inventory of materials that meet NJUS construction standards.) However, this revenue will only be from the administrative percentages added to the materials, as the pipe itself will be an inventory item that must be relieved.

Garbage-Landfill

The Utility has a billing agreement with the garbage contractor that provides 12% of their billed revenue to the Utility for the service. This offsets a portion of our customer service (billing) operating costs.

The Utility continues to bill for city landfill services and transmits this revenue to the City. As requested by the Utility Board, we have included a processing fee for the landfill billing services, but not effective until July, so as to allow the City to consider it in their next budgeting cycle.

Administrative & Consumer Accounting

Administration and Consumer Accounting are staffed by: one manager, one assistant manager, one administrative assistant, one contract part-time CFO, and three accounting technicians. One technician is full time for customer service. The other two serve payroll and payables function, and devote approximately 30% of their time to customer service duties as well, as does the administrative assistant. Customer Service used to be staffed by three full time employees, but this was reduced to one with the responsibility sharing by other staff. It is simply untenable to have a single agent working with walk-in customers and phones at the same time. Our customers are our revenue, and they do require ongoing and regular attention – not just placed on hold.

When the Assistant Manager was hired, it was anticipated to be an administrative position assuming delegated managerial functions and also serving as CFO. (We have utilized our prior CFO part time remotely through the end of 2017, and for 2018 we presently have another contract CPA lined out for part-time support.) However, as a Professional Engineer, the talents of the Assistant Manager can more fully be utilized by expanded management responsibilities, dealing with regulatory requirements and compliance, safety, planning, engineering. (And with the scheduled retirement of the water-sewer superintendent expected in April 2019, taking over this department would be a likely next step.) The Board requested, and the manager concurs, replacing the CFO full time as a separate position is in the best interest of the Utility, both short term and long term. With the manager retiring, eventually (current agreement goes through October 2019), an orderly succession plan must start to be implemented. Parsing out responsibilities and having adequate personnel in place is a prerequisite.

Debt Service

Around 10% of utility plant improvements have been financed and the Utility has debt service for both electric and water/sewer relating to construction activities that have been partially financed by bonds or loans. There is a municipal bond bank bond and one DEC loan for the water plant within the power plant. Other loans relate to water-sewer construction over the years. While the interest expense for debt is included as an operating cost, the principal payments must also be covered by revenues.

Fuel Inventory

As usual, the Utility will need to finance its fuel inventory purchase during summer months and pay it over a 12 month period. The Utility also purchases fuel for the school district, for which they make payment. As noted, there is expected upward movement in fuel prices and an increase of \$0.40/gallon is projected for the 2018 procurement. We are in the last year of a three year agreement with Vitus Marine, as are other Western Alaska Fuel group, a consortium of utilities. The fuel provided has been satisfactory, and 2016 and 2017 delivery BTUs exceeded the minimum specifications, a benefit to the Utility.

Deferred Debits

A deferred debit is a major cash outlay for system maintenance that requires cash during one year but provides benefit over multiple years and by accounting standards must be spread over their useful period (amortized). Generator overhauls and tank farm maintenance are the primary deferred debits. The Wartsila PLC Upgrade is included as a deferred debit as well. The costs are paid in one year and then amortized over succeeding periods where the benefit is longer than just the current year.

Depreciation

The Utility must depreciate system assets and has a schedule of time based on various asset categories. The costs cannot simply be expensed at the time assets are procured.

When taking into consideration operating and maintenance costs, debt service principal, and the Wartsila PLC upgrade, the existing rate structures are projected to result in a net cash inflow projection of \$201,000 based on the budget draft submitted.

Capital Budget

At this time we are not presenting a capital budget, although there will be items that need to be considered. We need to insure we are meeting our operating budget, and then determine with greater discussion and study the capital needs, not just for the current year, but looming equipment and overhaul requirements in the years ahead. Commitments do not need to be made at this time. So, we are proposing to develop a capital budget for review and approval prior to summer.

Drilling for King Place is included in the operating budget as an engineering expense. The Wartsila PLC project is included as a deferred debit cash use.

Other items that are being investigated presently and will need to be considered:

- Fire System for Generator #12 building. Current panel is non-functional.
- WWTF Lift Station. A scope is being devised and we plan to submit a package to NSEDC for consideration under their large infrastructure program. A match will be required.

- Fuel tanks. Minor annual cleaning is included in the operating budget, but spot painting will need to be done.
- Lagoon Fence. The existing fence has jacked out of the ground and requires resetting. This can potentially be accomplished as part of summer activities, and we do have replacement fencing that was acquired for the new power plant and ultimately not required.
- Vehicle Replacement. Need to replace a couple of pickup trucks this year, estimated at \$80K. (Whether continuing to procure diesel vehicles should be discontinued is a decision to be made. Vehicle reliability has improved in recent time, the cost of diesel for operations is no longer a great benefit, and both the capital cost and maintenance costs for diesels are more. Likely gas vehicles should be considered in the future, and smaller vehicles may be sufficient for some – having larger ones that can be utilized when required.)
- Bering Street Water-Sewer Plan Development. Construction drawings and documents will be required. These pre-engineering costs can be part of a DEC loan package (or USDA loan-grant).

A broader look must take in to consideration changes that will continue to occur over the next few years, some of which have been eluded to in this memo. We must carefully analyze future needs, opportunities and challenges, and develop a longer-term outlook. We've concentrated on streamlining and making operations more efficient, and containing costs has and continues to be the focus. But, we must now, in addition to staying abreast of the current, look longer in to the future to insure the continued uninterrupted flow of services and the long-term financial health of the utility is improved and protected.

This 2018 Business Plan is presented as a roadmap for the year. It must be regularly reviewed to actual performance (which occurs monthly) and if necessary, adjustments to assumptions, results and needs be made. It is imperative everyone continues with vigilance in cost containment and revenue generation.

Recommended action:

That the Utility Board adopt Resolution 18-01, approving the 2018 operations and maintenance business plan and submit same with a request for concurrence of/enactment by the City Council.

J. Handeland
02/19/18



NOME JOINT UTILITY SYSTEM

NOME JOINT UTILITY BOARD

RESOLUTION 18-01

**A RESOLUTION TO THE NOME COMMON COUNCIL RECOMMENDING ACCEPTANCE
AND APPROVAL OF THE PROPOSED NOME JOINT UTILITY SYSTEM
FISCAL YEAR 2018 OPERATIONS AND MAINTENANCE BUDGET**

- WHEREAS, Section 15.10.030 (b) of the Nome Code of Ordinances, provides that the Utility Board is charged with the responsibility of preparing and submitting to the Council annual budgets and to make recommendations thereon for the efficient and economical operations of the system; and,
- WHEREAS, Section 15.10.070 (c) of the Nome Code of Ordinances provides that the Utility Manager shall prepare the annual budget for review by the Utility Board prior to submission to the Council; and,
- WHEREAS, the Utility Board and Utility Management have carefully reviewed the operation and maintenance activities of the Utility during the current and prior fiscal years; and,
- WHEREAS, it is the intention of the Utility to operate at a level of performance and reliability satisfactory to the users of service, and provide for ongoing maintenance and reliability of the systems;

NOW THEREFORE BE IT RESOLVED, that the Utility Board does hereby submit to the Nome Common Council an Operating and Maintenance Budget for the fiscal year 2018 which consists of estimated Revenues of \$12,217,115 and Operations and Maintenance Expenses of \$11,258,708, including provisions for depreciation in the amount of \$5,906,900 which results in a net cash margin of \$958,407. Net margin, non-cash amortizations and required overhaul, annual Bond and Debt Service Principal payments and fuel inventory, detailed separately from Operation and Maintenance Budget expenses result in a net projected cash surplus of \$201,529.

SIGNED THIS 20th DAY OF February, 2018 AT NOME, ALASKA.

Carl Emmons, Chairman
NOME JOINT UTILITY BOARD

ATTEST:

David Barron, Secretary
NOME JOINT UTILITY BOARD