


TRANSMITTAL MEMORANDUM

5b

TO: The Honorable Mayor & City Council Initials: 

FROM: Delilah A. Walsh, General Manager File #: MGR24-672

DATE: October 29, 2024 Mtg. #: 11/07/24 CAB

RE: **Authorizing Multiple Budget Transfers Within the KPU Telecommunications Division's Operating Fund**

The motion detailed below was prepared at the request of Telecommunications Division Manager Dan Lindgren, who asked that it be placed before the City Council for consideration at its meeting of November 7, 2024. If adopted, the motion provides for four budget transfers within the Division's 2024 appropriated budget to cover increased expenses in Software and Equipment Maintenance Services and the Fiber to the Home Project.

- For 635.04 Contractual Services – Software and Equipment Maintenance Services, the budget transfer is needed due to increased software, support, and maintenance costs for Commsoft, Ericsson, and iT1. These annual agreements are all required to continue operating and have increased more than anticipated in 2024.
- For 635.14 Contractual Services – Other Contractual Services, the budget transfer is needed due to costs to replace the logos on all KPU Telecom vehicles. The previous logos included TV services that are now discontinued.
- For 640.02 Professional Services – Engineering & Architectural Services, the budget transfer is needed due to replacement of softswitches. Additional outside engineering support was needed to help make the transition run smoothly. There was also an increase in Cybersecurity services utilized by the Division in 2024.
- For the Fiber to the Home Project, the budget transfer is needed to facilitate additional fiber projects this year. This will help us provide faster and more reliable internet services for our additional customers.

As the request does not increase the overall annual budget for the Telecommunications Division, and transfers meet the operational needs of the Division while preventing the use of fund reserves, I fully concur with Mr. Lindgren's recommendation.

Recommended Motion:

I move the City Council authorize budget transfers from within the 2024 KPU Annual Budget for the KPU Telecommunications Division: \$48,000 from 500.01 Salaries and Wages and \$12,000 from 507.00 Health Insurance Benefits to 635.04 Contractual Services - Software and Equipment Maintenance Services; \$95,000 from 630.04 Broadcast Content Fees to 635.14 Contractual Services – Other Contractual Services; \$190,000 from 630.04 Broadcast Content Fees to 640.02 Professional Services – Engineering & Architectural Services; and \$100,000 from the Normal Growth and Repair – Copper Cable Project to the Fiber to the Home Project.

**KPU Telecommunications**

2970 Tongass Avenue
Ketchikan, AK 99901

Phone (907) 225-1000

FAX (907) 225-1788

Memorandum

To: Delilah Walsh, KPU General Manager

From: Dan Lindgren, KPU Telecommunications Division Manager

Date: October 28, 2024

Subject: **Budget Transfer Request**

The purpose of the memorandum is to request a budget transfer from within the KPU Telecommunications 2024 Annual Budget. In reviewing 2024 year-to-date expenditures – it is apparent that four budget transfers are required; \$48,000 from 500.01 Salaries and Wages and \$12,000 from 507.00 Health Insurance Benefits to 635.04 Contractual Services - Software and Equipment Maintenance Services; \$95,000 from 630.04 Broadcast Content Fees to 635.14 Contractual Services – Other Contractual Services; \$190,000 from 630.04 Broadcast Content Fees to 640.02 Professional Services – Engineering & Architectural Services; and \$100,000 from Normal Growth and Repair – Copper Cable to the Fiber to the Home Project. These intra-2024-budget transfer transactions will not require a transfer from appropriated reserves.

Background

Category: 635.04 Contractual Services – Software & Equipment Maintenance Services:

Regarding 635.04 Contractual Services – Software & Equipment Maintenance Services, this memorandum requests a transfer in the amount of \$60,000:

From: Account 500.01: Salaries and Wages (\$48,000). The year-end surplus is due to hiring difficulties and vacant positions during 2024.

From: Account 507.00: Health Insurance Benefits (\$12,000). The year-end surplus is due to hiring difficulties and vacant positions during 2024.

To: Account 635.04: Contractual Services – Software & Equipment Maintenance Services: This budget overage is due to unanticipated increases in vendor software, cybersecurity, support services, and equipment maintenance contracts.

Category: 635.14 Contractual Services-Other Contractual Services:

Regarding Contractual Services – Other Contractual Services, this memorandum requests a transfer in the amount of \$95,000:

From: Account 630.04 – Broadcast Content Fees. The year-end surplus in the Broadcast Content Fees is the result of the sunset of KPU TV service at the end of September 2024.

To: Account 635.14: Contractual Services-Other Contractual Services. This account is over budget due to the costs of replacing the old logos on all vehicles that advertised KPU TV services with new KPU logos. Additionally, costs for contractor services to complete customer installations was higher than anticipated.

Category: 640.02 Professional Services – Engineering & Architectural Services:

Regarding 640.02 Professional Services – Engineering & Architectural Services, this memorandum requests a transfer in the amount of \$190,000:

From: Account 630.04 – Broadcast Content Fees. The year-end surplus in the Broadcast Content Fees is the result of the sunset of KPU TV service at the end of September 2024.

To: Account 640.02: Professional Services – Engineering & Architectural Services: KPU unexpectedly needed additional specialized services in 2024 that fell outside the scope of the division's current capabilities. This required bringing additional professional services resources onboard.

Capital Projects:

The Capital Budget is also in need of a transfer to the Fiber to the Home Project in the amount of \$100,000.

From: Normal Growth and Repair - Copper Cable Project: The year-end surplus in this project is due to cost savings in 2024 from lower than anticipated line extensions and cable deterioration.

To: Fiber to the Home Project: This project is over budget due to the increased demand for higher speed Internet customers and Fiber to the Home projects. This will allow us to increase revenues by selling higher speed services.

By transferring these funds from within the 2024 KPU Annual Budget we will eliminate the need to transfer funding from appropriated reserves.

Recommended Motion:

I move that the City Council authorize budget transfers from within the 2024 KPU Annual Budget for the KPU Telecommunications Division; \$48,000 from 500.01 Salaries and Wages and \$12,000 from 507.00 Health Insurance Benefits to 635.04 Contractual Services - Software and Equipment Maintenance Services; \$95,000 from 630.04 Broadcast Content Fees to 635.14 Contractual Services – Other Contractual Services; \$190,000 from 630.04 Broadcast Content Fees to 640.02 Professional Services – Engineering & Architectural Services; and \$100,000 from the Normal Growth and Repair – Copper Cable Project to the Fiber to the Home Project.

Cc: Lacey Simpson, KPU Assistant General Manager
Michelle Johansen, Finance Director