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TRANSMITTAL MEMORANDUM

TO: The Honorable Mayor and City Council

FROM: Lacey G. Simpson, Acting General Manager

DATE: August 23, 2022

RE: **Authorizing Budget Transfer – Telecommunications Division Overtime**

As indicated in the attached memorandum from Acting Telecommunications Division Manager Dan Lindgren, the Telecommunications Division is requesting a transfer of \$154,250 from Appropriated Reserves of the KPU Enterprise Fund to its 2022 Overtime Wages account (Account No. 501.01) to fund unanticipated overtime expenditures through the end of 2022. The rationale for the transfer is detailed in the Acting Telecommunications Division Manager's memorandum and no further elaboration is necessary on the part of the General Manager's office. I concur with Mr. Lindgren's recommendation

Mr. Lindgren will be attending the City Council meeting of September 1, 2022, in order to address any questions and/or concerns that Councilmembers may have.

A motion has been prepared for City Council consideration.

RECOMMENDATION

It is recommended the City Council adopt the motion authorizing the Acting General Manager to transfer \$154,250 from Appropriated Reserves of the KPU Enterprise Fund to the Telecommunications Division's 2022 Overtime Wages account (Account No. 501.01) to fund unanticipated overtime expenditures through the end of 2022.

Recommended Motion: I move the City Council authorize the Acting General Manager to transfer \$154,250 from Appropriated Reserves of the KPU Enterprise Fund to the Telecommunications Division's 2022 Overtime Wages account (Account No. 501.01) to fund unanticipated overtime expenditures through the end of 2022.



KPU Telecommunications

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Memorandum

To: Lacey Simpson, Acting KPU General Manager

From: Dan Lindgren, KPU Telecommunications Acting Division Manager

Date: August 18th, 2022

Subject: **KPU Telecommunications Overtime Update and Budget Transfer Request**

The purpose of the memorandum is to update the City Council on the status of Telecommunications Division Overtime expenditures within the 2022 budget – and to request that the General Manager seek City Council approval of a budget transfer in the amount of \$154,250 from the Appropriated Reserves account.

Background:

On December 13, 2015, the City Council initiated a policy wherein Departments must address overtime overruns throughout the year. In keeping with this policy, the Telecommunications Division's Overtime expenditure through July 31, 2022 totals \$246,748 – which is on track to exceed the Division's total Overtime budget for the year of \$250,000.

Accordingly, this memorandum will serve as official notification to the City Council that the Telecommunications Division will exceed its 2022 Overtime budget. The Division will mitigate the budget overrun via a plan and budget transfer as detailed below.

The Telecommunications Division operates in an environment that requires completion of complex network maintenance work during a nighttime 'maintenance window' (typically between the hours of 1AM to 5AM) to minimize service disruptions to customers. While the frequency and volume of this type of work is typically predictable, in 2022 there were three significant challenges which caused (and/or will continue to cause) the Division to overrun the original overtime budget.

1. Significant overtime was required due to the Coronavirus pandemic due to employees being quarantined throughout the year and the resulting overtime required to complete our necessary work flows.
2. We have experienced an uptick in service orders this year for Internet and Video services as our competition dropped traditional cable TV service. Although the new service-requests provide new revenue, it was necessary to schedule installation appointments during weekends (to keep the install schedule reigned in, to remain competitive).

3. We have been experiencing high turnover in CSS/OSP personnel due to resignations and promotions - resulting in the necessity to utilize overtime to complete our normal workload. 4 out of 9 of our OSP staff have been with KPU-Tel less than a year and all 5 of our Customer Support staff have been with us for less than a year as well.
4. Additionally, we have been operating without an Outside Plant Manager, with other employees required to pick up the Plant Manager's duties.
5. Furthermore, because of an increase in cyberattack activity, KPU-Tel has spent a significant amount of weekend and maintenance windows hours improving our security posture and/or responding to malicious actors attempting to penetrate our network during non-working hours.

Collectively, items 1 – 5, above, have caused/will continue to cause an overrun of the Division's 2022 overtime budget.

Normally extended staffing vacancies (related to the resignations noted above), would have resulted in sufficient savings in the Regular Time Salaries and Wages account to accommodate this budget transfer. However, due to the un-programmed increases in salaries and wages from the new collective bargaining agreement and associated non-represented COLA increases, we are asking for this budget transfer to come from the Appropriated Reserves of the KPU Enterprise Fund. The good news is that our revenues are on pace to create approximately \$600,000 in surplus revenues partly due to the influx of Internet and TV services – that caused significant overtime. In summary, the surplus revenues will more than offset this budget transfer from appropriated reserves.

Accordingly, to resolve the overtime budget overrun, our recommendation is to authorize a budget transfer of \$154,250 from the Appropriated Reserves of the KPU Enterprise Fund to the Overtime Wages account (501.01).

Recommended Motion:

I move that the City Council authorize a budget transfer in the amount of \$154,250 – from the Appropriated Reserves of the KPU Enterprise Fund to the Overtime Wages account (501.01).

Cc: Michelle Johansen, City Finance Director