

## **Water Utility Fund**

The City's Water Utility Enterprise Fund accounts for the operations of the City's water system. As an enterprise fund, the Water Utility is designed to recover the cost of providing clean, potable water to its customers through user fees. The system serves about 19,500 accounts, 95% of which are residential. Overall, Blaine provides water more than 96% of the citizens of Blaine. The system has a daily pumping capacity of 18.5 million gallons, with average daily usage of 6 million gallons. The City's water operation functions as a division of the City's Public Services Department under the direction of the Public Works Director, with 8.25 full-time equivalent (FTE) staff budgeted in the division. A fund summary follows this brief narrative.

### **Operations**

#### **Revenues**

Operating revenue in 2017 is expected to fall short of budgeted amounts by about \$90,000, which can be attributed primarily to less consumption than anticipated. Operating revenues in 2018 are budgeted to increase from 2017 projections by about \$226,000. The budget presented here includes an across-the-board rate increase of 10¢ per thousand gallons. As is always the case, staff continues to monitor rates and recommend any adjustments based not only on current conditions, but also the impact of any rate adjustment on the fund's long-term viability.

#### **Expenses**

Budgeted operating expenses (not including depreciation) are proposed to increase by \$56,400 from the 2017 budget. Personal services (salaries and benefits) are expected to increase by 4.5%, and include a 2.75% general wage increase, increased overtime expenses, increased cafeteria expenses. The supplies budget is increased by \$62,800, primarily to cover the expected use of water treatment chemicals. Contractual service expenses are decreased by \$61,000 to more accurately reflect anticipated activity. Administrative charges paid to the General Fund will increase by \$19,000.

#### **Capital Improvements**

Water utility capital improvements will continue pursuant to the improvement plan adopted in 2003. Capital expenditures of \$16 million are scheduled for 2017, with \$4 million for the planning, design and initial construction of treatment plant #4 (the total project cost is estimated to be \$23 million), \$4 million programmed for well house rehabilitation, \$3.75 million to replace AMR meter radios, \$2,765,000 for water main construction, \$1.15 million for replacement of the SCADA system, \$125,000 for facility security improvements, \$108,000 for well redevelopment, and \$100,000 to compensate developers for installing over-sized water mains. Debt service payments scheduled for 2018 totaling \$487,700 are budgeted as well. In order to fund future system expansion that results from new development, staff is recommending that WAC fees be increased 2% pursuant to the plan adopted by Council in December 2003.

#### **5-Year Projections**

In addition to the 2018 budget, staff has completed 5-year projections for the Water Utility operations as well as the fund's capital improvement plan. Both 5-year plans are monitored closely and updated annually to ensure that the fund maintains its financial stability and that rates and fees are properly adjusted. Construction of the \$23 million treatment plant #4 will require the issuance and sale of revenue bonds in 2018, with related debt service expenses beginning in 2019. Water rate increases totaling 30¢ per thousand gallons are built into the last four years of the 5-year model.

**2018 SUMMARY BUDGET  
WATER UTILITY FUND - 601**

	2015 Actual	2016 Actual	2017 Budget	2017 Projected	2018 Proposed Budget
<b>BEGINNING FUND RESERVE</b>	\$ 9,747,913	\$ 11,068,648	\$ 11,068,648	\$ 11,068,648	\$ 6,311,707
<b><u>REVENUES</u></b>					
Operating Revenues	\$ 3,876,060	\$ 3,941,472	\$ 4,092,300	\$ 4,001,500	\$ 4,227,525
Capital Financing					
WAC Fees	662,356	1,127,121	650,000	722,000	\$ 650,000
Debt Proceeds				-	30,000,000
Other	1,382	-	-	2,500	2,500
<b>TOTAL REVENUES</b>	<b>\$ 4,539,798</b>	<b>\$ 5,068,593</b>	<b>\$ 4,742,300</b>	<b>\$ 4,726,000</b>	<b>\$ 34,880,025</b>
<b><u>EXPENDITURES</u></b>					
Operating					
Personal Services	\$ 681,201	\$ 730,589	\$ 791,170	\$ 852,150	\$ 826,500
Supplies	307,674	467,584	364,600	343,600	427,400
Contractual Services	807,175	830,521	1,073,500	824,080	1,012,400
Admin. & Other Charges	541,650	684,060	567,100	676,900	586,500
Depreciation	1,159,291	1,274,121	1,285,000	1,285,000	1,285,000
	<b>\$ 3,496,991</b>	<b>\$ 3,986,875</b>	<b>\$ 4,081,370</b>	<b>\$ 3,981,730</b>	<b>\$ 4,137,800</b>
Capital & Infrastructure					
Capital Projects	734,895	1,313,318	14,548,600	4,065,750	14,572,000
Debt Service	146,468	191,695	123,700	123,700	487,700
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,378,354</b>	<b>\$ 5,491,888</b>	<b>\$ 18,753,670</b>	<b>\$ 8,171,180</b>	<b>\$ 19,197,500</b>
<b>Net Addition Fund Balance</b>	<b>\$ 161,444</b>	<b>\$ (423,295)</b>	<b>\$ (14,011,370)</b>	<b>\$ (3,445,180)</b>	<b>\$ 15,682,525</b>
<b><u>FUND BALANCE RESERVE</u></b>					
Beginning	9,747,913	11,068,648	9,747,913	8,471,887	6,311,707
Net Addition	161,444	(423,295)	(14,011,370)	(3,445,180)	15,682,525
Add Depreciation	1,159,291	1,274,121	1,285,000	1,285,000	1,285,000
<b>Y/E Fund Reserve</b>	<b>\$ 11,068,648</b>	<b>\$ 11,919,474</b>	<b>\$ (2,978,457)</b>	<b>\$ 6,311,707</b>	<b>\$ 23,279,232</b>
<b>Required Reserve:</b>					
Cash Flow	\$ 584,000	\$ 678,000	\$ 699,000	\$ 674,000	\$ 713,000
Capital Reserve	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Debt Service	550,000	550,000	550,000	550,000	550,000
	<b>\$ 6,134,000</b>	<b>\$ 6,228,000</b>	<b>\$ 6,249,000</b>	<b>\$ 6,224,000</b>	<b>\$ 6,263,000</b>
<b>Excess Fund Reserve</b>	<b>\$ 4,934,648</b>	<b>\$ 5,691,474</b>	<b>\$ (9,227,457)</b>	<b>\$ 87,707</b>	<b>\$ 17,016,232</b>

**2018 SUMMARY BUDGET  
WATER UTILITY FUND - 601**

	<b>2018 Proposed Budget</b>	<b>2019 Estimate</b>	<b>2020 Estimate</b>	<b>2021 Estimate</b>	<b>2022 Estimate</b>
<b>BEGINNING FUND RESERVE</b>	<b>\$ 6,311,707</b>	<b>\$ 23,279,232</b>	<b>\$ 3,979,622</b>	<b>\$ 1,865,532</b>	<b>\$ 959,652</b>
<b><u>REVENUES</u></b>					
Operating Revenues	\$ 4,227,525	\$ 4,532,250	\$ 4,797,250	\$ 5,067,250	\$ 5,341,250
Capital Financing					
WAC Fees	\$ 650,000	585,000	526,500	500,200	450,200
Debt Proceeds	30,000,000	-	-	-	-
Other	2,500	2,500	2,500	2,500	2,500
<b>TOTAL REVENUES</b>	<b>\$ 34,880,025</b>	<b>\$ 5,119,750</b>	<b>\$ 5,326,250</b>	<b>\$ 5,569,950</b>	<b>\$ 5,793,950</b>
<b><u>EXPENDITURES</u></b>					
Operating					
Personal Services	\$ 826,500	\$ 919,260	\$ 1,013,840	\$ 1,044,230	\$ 1,076,080
Supplies	427,400	433,700	681,700	695,700	709,700
Contractual Services	1,012,400	1,034,900	1,059,300	1,083,900	1,109,900
Admin. & Other Charges	586,500	598,000	613,000	628,000	643,000
Depreciation	1,285,000	1,324,000	1,990,000	2,033,000	2,077,000
	<b>\$ 4,137,800</b>	<b>\$ 4,309,860</b>	<b>\$ 5,357,840</b>	<b>\$ 5,484,830</b>	<b>\$ 5,615,680</b>
Capital & Infrastructure					
Capital Projects	14,572,000	20,236,000	1,313,000	265,000	265,000
Debt Service	487,700	1,197,500	2,759,500	2,759,000	2,756,000
<b>TOTAL EXPENDITURES</b>	<b>\$ 19,197,500</b>	<b>\$ 25,743,360</b>	<b>\$ 9,430,340</b>	<b>\$ 8,508,830</b>	<b>\$ 8,636,680</b>
<b>Net Addition Fund Balance</b>	<b>\$ 15,682,525</b>	<b>\$ (20,623,610)</b>	<b>\$ (4,104,090)</b>	<b>\$ (2,938,880)</b>	<b>\$ (2,842,730)</b>
<b><u>FUND BALANCE RESERVE</u></b>					
Beginning	6,311,707	23,279,232	3,979,622	1,865,532	959,652
Net Addition	15,682,525	(20,623,610)	(4,104,090)	(2,938,880)	(2,842,730)
Add Depreciation	1,285,000	1,324,000	1,990,000	2,033,000	2,077,000
<b>Y/E Fund Reserve</b>	<b>\$ 23,279,232</b>	<b>\$ 3,979,622</b>	<b>\$ 1,865,532</b>	<b>\$ 959,652</b>	<b>\$ 193,922</b>
<b>Required Reserve:</b>					
Cash Flow	\$ 713,000	\$ 746,000	\$ 842,000	\$ 863,000	\$ 885,000
Capital Reserve	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Debt Service	550,000	550,000	550,000	550,000	550,000
	<b>\$ 6,263,000</b>	<b>\$ 6,296,000</b>	<b>\$ 6,392,000</b>	<b>\$ 6,413,000</b>	<b>\$ 6,435,000</b>
<b>Excess Fund Reserve</b>	<b>\$ 17,016,232</b>	<b>\$ (2,316,378)</b>	<b>\$ (4,526,468)</b>	<b>\$ (5,453,348)</b>	<b>\$ (6,241,078)</b>