

## **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 17,000 accounts, 95% of which are residential. Overall, Blaine provides water to 95% of the citizens of Blaine. The system has a daily pumping capacity of 18.5 million gallons, with average daily residential usage of 5 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 assigned to the division. No additions to staff are proposed for 2014.

### **Operations**

#### **Revenues**

Operating revenue in 2013 is expected to exceed budgeted amounts by about \$150,000, due to higher than anticipated water sales. Total revenues in 2014 are budgeted to decline very slightly from 2013 projections (\$12,500), reflecting a more conservative estimate of total water sales partially offset by an increase in meter sales in anticipation of increased development. Operating revenue is sufficient to cover operating expenses, thus no rate adjustment is recommended for 2014. 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 \$145,000 (5.7%) over 2013's budget. Personal services (salaries and benefits) include a 2.5% general wage increase for the full 8.25 FTE's. The supplies budget is increasing by just over \$37,000 due to increasing purchases of water meters for sale. Contractual service costs are increasing by \$64,600 in anticipation of increased electricity use at the treatments and wells, and to pay for the hosted automated meter reading system. Administrative charges paid to the General Fund will remain essentially the same, increasing by a mere \$440.

#### **Capital Improvements**

Water utility capital improvements will continue pursuant to the improvement plan adopted in 2003. Capital expenditures totaling \$843,000 are scheduled for 2014, with \$500,000 programmed to begin the planning stages for four new wells, \$140,000 for maintenance at wells 11 and 13, \$100,000 for water main over-sizing, \$7,000 for cleaning the exterior of Tower #2, and \$96,000 appropriated for capital equipment replacement. Debt service principal and interest payments scheduled for 2014 totaling \$543,040 are budgeted as well.

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

In addition to the 2014 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. Since depreciation is included in operating costs, replacement of existing capital assets is funded with current operating revenues. As mentioned previously, the attached 5-year operating plan indicates no immediate need to adjust water fee rates. However, 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.

# CITY OF BLAINE, MINNESOTA

## 2014 SUMMARY BUDGET WATER UTILITY FUND - 601

	2011 Actual	2012 Actual	2013 Budget	2013 Projected	2014 Preliminary Budget
<b>BEGINNING FUND RESERVE</b>	\$ 6,705,067	\$ 7,630,972	\$ 10,225,016	\$ 10,225,016	\$ 8,836,971
<b>REVENUES</b>					
Operating Revenues	\$ 3,847,167	\$ 4,419,825	\$ 3,887,300	\$ 4,039,800	\$ 4,027,300
Capital Financing					
WAC Fees	552,171	777,113	550,100	600,000	600,000
Other		3,118	-	-	-
<b>TOTAL REVENUES</b>	<b>\$ 4,399,338</b>	<b>\$ 5,200,056</b>	<b>\$ 4,437,400</b>	<b>\$ 4,639,800</b>	<b>\$ 4,627,300</b>
<b>EXPENDITURES</b>					
Operating					
Personal Services	\$ 607,790	\$ 645,477	\$ 662,860	\$ 662,780	\$ 706,080
Supplies	379,947	387,950	453,150	438,580	490,400
Contractual Services	761,975	776,185	866,720	859,071	930,900
Admin. & Other Charges	512,392	519,120	546,160	545,370	546,600
Depreciation	1,203,768	1,230,799	1,250,000	1,245,000	1,260,000
	<b>\$ 3,465,872</b>	<b>\$ 3,559,531</b>	<b>\$ 3,778,890</b>	<b>\$ 3,750,801</b>	<b>\$ 3,933,980</b>
Capital & Infrastructure					
Capital Projects	1,211,329	277,280	398,200	385,110	842,900
Debt Service	549,180	511,360	542,890	542,890	543,040
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,677,201</b>	<b>\$ 3,836,811</b>	<b>\$ 4,719,980</b>	<b>\$ 4,678,801</b>	<b>\$ 5,319,920</b>
<b>Net Addition Fund Balance</b>	<b>\$ (277,863)</b>	<b>\$ 1,363,245</b>	<b>\$ (282,580)</b>	<b>\$ (39,001)</b>	<b>\$ (692,620)</b>
<b>FUND BALANCE RESERVE</b>					
Beginning	6,705,067	7,630,972	7,630,972	7,630,972	8,836,971
Net Addition	(277,863)	1,363,245	(282,580)	(39,001)	(692,620)
Add Depreciation	1,203,768	1,230,799	1,250,000	1,245,000	1,260,000
<b>Y/E Fund Reserve</b>	<b>\$ 7,630,972</b>	<b>\$ 10,225,016</b>	<b>\$ 8,598,392</b>	<b>\$ 8,836,971</b>	<b>\$ 9,404,351</b>
<b>Required Reserve:</b>					
Cash Flow	\$ 566,000	\$ 582,000	\$ 632,000	\$ 626,000	\$ 668,000
Capital Reserve	6,514,972	9,093,016	7,416,392	5,000,000	5,000,000
Debt Service	550,000	550,000	550,000	550,000	550,000
	<b>\$ 7,630,972</b>	<b>\$ 10,225,016</b>	<b>\$ 8,598,392</b>	<b>\$ 6,176,000</b>	<b>\$ 6,218,000</b>
<b>Excess Fund Reserve</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,660,971</b>	<b>\$ 3,186,351</b>

# CITY OF BLAINE, MINNESOTA

## 2014 SUMMARY BUDGET WATER UTILITY FUND - 601

	2014 Preliminary Budget	2015 Estimate	2016 Estimate	2017 Estimate	2018 Estimate
<b>BEGINNING FUND RESERVE</b>	\$ 8,836,971	\$ 9,404,351	\$ 8,228,831	\$ 7,198,591	\$ 2,572,251
<b>REVENUES</b>					
Operating Revenues	\$ 4,027,300	\$ 4,022,950	\$ 4,091,350	\$ 4,044,150	\$ 4,094,850
Capital Financing					
WAC Fees	600,000	615,000	627,300	639,800	652,600
Other	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>\$ 4,627,300</b>	<b>\$ 4,637,950</b>	<b>\$ 4,718,650</b>	<b>\$ 4,683,950</b>	<b>\$ 4,747,450</b>
<b>EXPENDITURES</b>					
Operating					
Personal Services	\$ 706,080	\$ 726,630	\$ 751,990	\$ 779,690	\$ 811,120
Supplies	490,400	501,400	513,400	525,400	538,400
Contractual Services	930,900	963,700	987,500	1,013,500	1,038,800
Admin. & Other Charges	546,600	557,000	571,000	585,000	599,000
Depreciation	1,260,000	1,298,000	1,337,000	1,377,000	1,418,000
	<b>\$ 3,933,980</b>	<b>\$ 4,046,730</b>	<b>\$ 4,160,890</b>	<b>\$ 4,280,590</b>	<b>\$ 4,405,320</b>
Capital & Infrastructure					
Capital Projects	842,900	2,525,000	2,385,000	5,868,000	264,000
Debt Service	543,040	539,740	540,000	538,700	536,800
<b>TOTAL EXPENDITURES</b>	<b>\$ 5,319,920</b>	<b>\$ 7,111,470</b>	<b>\$ 7,085,890</b>	<b>\$ 10,687,290</b>	<b>\$ 5,206,120</b>
<b>Net Addition Fund Balance</b>	<b>\$ (692,620)</b>	<b>\$ (2,473,520)</b>	<b>\$ (2,367,240)</b>	<b>\$ (6,003,340)</b>	<b>\$ (458,670)</b>
<b>FUND BALANCE RESERVE</b>					
Beginning	8,836,971	9,404,351	8,228,831	7,198,591	2,572,251
Net Addition	(692,620)	(2,473,520)	(2,367,240)	(6,003,340)	(458,670)
Add Depreciation	1,260,000	1,298,000	1,337,000	1,377,000	1,418,000
<b>Y/E Fund Reserve</b>	<b>\$ 9,404,351</b>	<b>\$ 8,228,831</b>	<b>\$ 7,198,591</b>	<b>\$ 2,572,251</b>	<b>\$ 3,531,581</b>
<b>Required Reserve:</b>					
Cash Flow	\$ 668,000	\$ 687,000	\$ 706,000	\$ 726,000	\$ 747,000
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>\$ 6,218,000</b>	<b>\$ 6,237,000</b>	<b>\$ 6,256,000</b>	<b>\$ 6,276,000</b>	<b>\$ 6,297,000</b>
<b>Excess Fund Reserve</b>	<b>\$ 3,186,351</b>	<b>\$ 1,991,831</b>	<b>\$ 942,591</b>	<b>\$ (3,703,749)</b>	<b>\$ (2,765,419)</b>