

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 2012.

Operations

Revenues

Operating revenue for the water utility fund is expected to align closely with the 2011 budget, falling within .2% of the adopted budget. In total, 2011 revenue is down from previous years, as less water was pumped and sold in the summer (the high consumption period) than in previous summers. Revenues for 2012 were calculated with the thought that 2011 represents a typical year in terms of water operations. Total revenues in 2012 are budgeted to exceed 2011 projections by about 2%, with revenue generated by the sale of water expected to show a 1.5% increase. Operating revenue is sufficient to cover operating expenses, thus no rate adjustment is recommended for 2012. As is always the case, staff will continue 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 expected to increase by about \$18,500 (about .8%) 2012. Personal services (salaries and benefits) are expected to increase by about \$3,000 and do include a 1% general wage increase. The supplies budget is being increased by \$2,000, while contractual service costs are increasing by \$11,000 to provide for repairs to and maintenance of system facilities. Administrative charges paid to the General Fund would increase less than \$2,500 (about .5%) with the adoption of the 2012 budget.

Capital Improvements

Water utility capital improvements will continue pursuant to the improvement plan adopted in 2003. For 2012, \$200,000 is scheduled to begin construction of two new wells. This accounts for just 10% of the project costs, as most of the construction will occur in 2013. Other capital costs include \$550,000 in debt service costs scheduled for payment in 2012.

5-Year Projections

In addition to the 2012 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.

