

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 fund is designed to recover the cost of providing clean, potable water to its customers through user fees. The system serves about 20,400 accounts, 95% of which are residential. Overall, Blaine provides water to more than 96% of city residents. The system has a daily pumping capacity of 18.5 million gallons, with average daily usage of 6.4 million gallons. The city's water operation functions as a division of the city's Public Works Department under the direction of the Public Works Director, with 10.25 full-time equivalent (FTE) staff budgeted in the division. A fund summary follows this brief narrative.

Operations

Revenues

Operating revenue in 2019 is projected to lag budgeted amounts by about \$356,000, which would indicate lower than expected consumption resulting from wetter weather conditions through the year. Operating revenues in 2020 are budgeted to increase from 2019 projections by about \$424,000 based on the expectation that consumption would return to that of a typical year. The budget presented here also 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 \$147,000 from the 2019 budget. Personal services (salaries and benefits) are expected to increase by 10%, which in addition to a 3% general wage increase, increased overtime expenses, and increased cafeteria expenses, also includes an additional full-time Public Service Worker. The supplies budget is expected to require a \$6,600 increase. Contractual service expenses are decreased by \$69,000 to more accurately reflect anticipated activity. Administrative charges paid to the General Fund will increase by \$66,000, and charges totaling \$70,000 will be paid to the new Building Maintenance internal service fund.

Capital Improvements

Capital projects totaling \$19.3 million are slated to occur in 2020. Of this total, completion of the treatment plant #4 construction (\$16 million) is scheduled. Other projects include completion of SCADA system improvements (\$900,000); well house rehabilitation (\$1 million); water tower improvements (\$300,000); water main replacements and trunk oversizing (\$550,000); and equipment replacement and improvements at the three existing water treatment plants (\$650,000). Replacement of capital equipment will total \$105,000, and debt service payments totaling \$1.84 million are scheduled for 2020 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 2020 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. Capital expenditures in years 2021 through 2024 may require a \$5 million debt issue in 2022. Water rate increases totaling 40¢ per thousand gallons are built into the last four years of the 5-year model.

CITY OF BLAINE, MINNESOTA

2020 SUMMARY BUDGET WATER UTILITY FUND - 601

	2017 Actual	2018 Actual	2019 Budget	2019 Projected	2020 Proposed Budget	2021 Estimate	2022 Estimate	2023 Estimate	2024 Estimate
BEGINNING FUND RESERVE ESTIMATE	\$ 11,411,491	\$ 9,587,841	\$ 37,296,565	\$ 37,296,565	\$ 22,816,526	\$ 3,841,031	\$ 2,198,541	\$ 5,588,521	\$ 2,887,841
<u>REVENUES</u>									
Operating Revenues	\$ 3,958,532	\$ 4,425,128	\$ 4,650,900	\$ 4,365,120	\$ 4,789,300	\$ 5,066,900	\$ 5,344,500	\$ 5,627,300	\$ 5,915,100
Capital Financing									
WAC Fees	801,825	748,143	650,000	820,000	\$ 738,000	664,200	597,800	567,900	511,100
Debt Proceeds	-	32,837,990			-	-	5,000,000	-	-
Other	351	788	2,500	-	-	-	-	-	-
TOTAL REVENUES	\$ 4,760,708	\$ 38,012,049	\$ 5,303,400	\$ 5,185,120	\$ 5,527,300	\$ 5,731,100	\$ 10,942,300	\$ 6,195,200	\$ 6,426,200
<u>EXPENDITURES</u>									
Operating									
Personal Services	\$ 815,645	\$ 754,282	\$ 907,520	\$ 921,300	\$ 1,048,560	\$ 1,079,700	\$ 1,110,100	\$ 1,141,500	\$ 1,176,400
Supplies	281,630	390,318	432,400	330,720	439,000	524,800	693,800	707,800	721,800
Contractual Services	999,754	869,046	1,012,400	938,130	943,600	831,500	852,900	874,500	897,300
Admin. & Other Charges	683,352	675,630	751,725	745,155	819,405	836,060	856,860	877,700	899,590
Depreciation	1,273,404	1,778,622	1,285,000	1,300,000	1,450,000	2,150,000	2,300,000	2,450,000	2,600,000
	\$ 4,053,785	\$ 4,467,898	\$ 4,389,045	\$ 4,235,305	\$ 4,700,565	\$ 5,422,060	\$ 5,813,660	\$ 6,051,500	\$ 6,295,090
Capital & Infrastructure									
Capital Equipment	210,214	85,671	148,800	159,800	105,000	540,000	307,000	130,000	130,000
Capital Projects	3,022,547	5,814,774	27,050,900	15,016,250	19,307,000	1,650,000	1,590,000	2,850,000	1,450,000
Debt Service	571,216	1,713,604	548,200	1,713,604	1,840,230	2,451,530	2,448,660	2,444,380	2,410,680
TOTAL EXPENDITURES	\$ 7,857,762	\$ 12,081,947	\$ 32,136,945	\$ 20,965,159	\$ 25,952,795	\$ 9,523,590	\$ 9,852,320	\$ 11,345,880	\$ 10,155,770
Net Addition Fund Balance	\$ (3,097,054)	\$ 25,930,102	\$ (26,833,545)	\$ (15,780,039)	\$ (20,425,495)	\$ (3,792,490)	\$ 1,089,980	\$ (5,150,680)	\$ (3,729,570)
<u>FUND BALANCE RESERVE</u>									
Beginning	11,411,491	9,587,841	37,296,565	37,296,565	22,816,526	3,841,031	2,198,541	5,588,521	2,887,841
Net Addition	(3,097,054)	25,930,102	(26,833,545)	(15,780,039)	(20,425,495)	(3,792,490)	1,089,980	(5,150,680)	(3,729,570)
Add Depreciation	1,273,404	1,778,622	1,285,000	1,300,000	1,450,000	2,150,000	2,300,000	2,450,000	2,600,000
Y/E Fund Reserve	\$ 9,587,841	\$ 37,296,565	\$ 11,748,020	\$ 22,816,526	\$ 3,841,031	\$ 2,198,541	\$ 5,588,521	\$ 2,887,841	\$ 1,758,271
Required Reserve:									
Cash Flow	\$ 695,000	\$ 672,000	\$ 776,000	\$ 734,000	\$ 813,000	\$ 818,000	\$ 878,000	\$ 900,000	\$ 924,000
Capital Reserve	5,000,000	5,000,000	5,000,000	5,000,000	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	550,000	550,000	550,000	550,000
	\$ 6,245,000	\$ 6,222,000	\$ 6,326,000	\$ 6,284,000	\$ 6,363,000	\$ 6,368,000	\$ 6,428,000	\$ 6,450,000	\$ 6,474,000
Excess Fund Reserve	\$ 3,342,841	\$ 31,074,565	\$ 5,422,020	\$ 16,532,526	\$ (2,521,969)	\$ (4,169,459)	\$ (839,479)	\$ (3,562,159)	\$ (4,715,729)