

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 2013.

Operations

Revenues

Operating revenue in 2012 is expected to show a marked increase over prior years. Based on the first ten months of the year the sale of water is on pace to exceed \$3.88 million by year-end, as more water was pumped and sold in the summer (the high consumption period) than in previous summers. Revenues for 2013 were calculated with the thought that 2012 represents an unusual year in terms of water consumption. Total revenues in 2013 are budgeted to decline from 2012 projections by about 10%, with the sale of water expected to return nearly to 2011 levels. Operating revenue is sufficient to cover operating expenses, thus no rate adjustment is recommended for 2013. 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 \$60,000 (2.5%) over 2012's budget. Personal services (salaries and benefits) include a 2% general wage increase; the supplies budget is being decreased by almost \$4,000. Contractual service costs are increasing by \$33,000 to provide for repairs to and maintenance of system facilities. Administrative charges paid to the General Fund would increase \$30,000 (6%) with the adoption of the 2012 budget.

Capital Improvements

Water utility capital improvements will continue pursuant to the improvement plan adopted in 2003. Capital expenditures totaling \$1,687,000 are scheduled for 2013, with \$1 million planned to begin construction of two new wells, \$300,000 for reconditioning tower #3, \$325,000 general system improvements, and \$62,000 appropriated for capital equipment replacement. Debt service principal and interest payments scheduled for 2013 totaling \$541,000 are budgeted as well.

5-Year Projections

In addition to the 2013 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

**2013 SUMMARY BUDGET
WATER UTILITY FUND - 601**

	2010 Actual	2011 Actual	2012 Budget	2012 Projected	2013 Preliminary Budget
BEGINNING FUND RESERVE	\$ 4,924,793	\$ 6,705,067	\$ 7,630,972	\$ 7,630,972	\$ 9,333,363
REVENUES					
Operating Revenues	\$ 3,768,785	\$ 3,847,167	\$ 3,611,200	\$ 4,289,650	\$ 3,887,300
Capital Financing					
WAC Fees	528,759	552,171	550,100	600,000	600,000
TOTAL REVENUES	\$ 4,297,544	\$ 4,399,338	\$ 4,161,300	\$ 4,889,650	\$ 4,487,300
EXPENDITURES					
Operating					
Personal Services	\$ 588,157	\$ 607,790	\$ 662,170	\$ 631,144	\$ 662,860
Supplies	425,976	379,947	457,000	403,600	453,150
Contractual Services	726,249	761,975	833,415	788,495	866,720
Admin. & Other Charges	576,115	512,392	515,300	519,750	546,160
Depreciation	1,614,302	1,203,768	1,100,000	1,215,000	1,250,000
	\$ 3,930,799	\$ 3,465,872	\$ 3,567,885	\$ 3,557,989	\$ 3,778,890
Capital & Infrastructure					
Capital Projects	200,773	1,211,329	398,200	301,380	1,687,000
Debt Service	542,759	549,180	542,890	542,890	540,900
TOTAL EXPENDITURES	\$ 4,131,572	\$ 4,677,201	\$ 4,508,975	\$ 4,402,259	\$ 6,006,790
Net Addition Fund Balance	\$ 165,972	\$ (277,863)	\$ (347,675)	\$ 487,391	\$ (1,519,490)
FUND BALANCE RESERVE					
Beginning	4,924,793	6,705,067	7,630,972	7,630,972	9,333,363
Net Addition	165,972	(277,863)	(347,675)	487,391	(1,519,490)
Add Depreciation	1,614,302	1,203,768	1,100,000	1,215,000	1,250,000
Y/E Fund Reserve	\$ 6,705,067	\$ 7,630,972	\$ 8,383,297	\$ 9,333,363	\$ 9,063,873
Required Reserve:					
Cash Flow	\$ 579,000	\$ 566,000	\$ 617,000	\$ 586,000	\$ 632,000
Capital Reserve	5,576,067	6,514,972	7,216,297	8,197,363	7,881,873
Debt Service	550,000	550,000	550,000	550,000	550,000
	\$ 6,705,067	\$ 7,630,972	\$ 8,383,297	\$ 9,333,363	\$ 9,063,873
Excess Fund Reserve	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF BLAINE, MINNESOTA

**2013 SUMMARY BUDGET
WATER UTILITY FUND - 601**

	2013 Preliminary Budget	2014 Estimate	2015 Estimate	2016 Estimate	2017 Estimate
BEGINNING FUND RESERVE	\$ 9,333,363	\$ 9,063,873	\$ 9,204,913	\$ 4,154,393	\$ 3,386,973
REVENUES					
Operating Revenues	\$ 3,887,300	\$ 3,946,850	\$ 4,014,150	\$ 3,965,850	\$ 4,015,350
Capital Financing					
WAC Fees	600,000	615,000	627,300	639,800	652,600
TOTAL REVENUES	\$ 4,487,300	\$ 4,561,850	\$ 4,641,450	\$ 4,605,650	\$ 4,667,950
EXPENDITURES					
Operating					
Personal Services	\$ 662,860	\$ 682,620	\$ 706,480	\$ 732,520	\$ 762,090
Supplies	453,150	465,150	477,150	490,150	503,150
Contractual Services	866,720	893,000	914,600	939,400	962,400
Admin. & Other Charges	546,160	562,000	579,000	596,000	614,000
Depreciation	1,250,000	1,288,000	1,327,000	1,367,000	1,408,000
	\$ 3,778,890	\$ 3,890,770	\$ 4,004,230	\$ 4,125,070	\$ 4,249,640
Capital & Infrastructure					
Capital Projects	1,687,000	1,275,000	6,475,000	2,075,000	275,000
Debt Service	540,900	543,040	539,740	540,000	538,700
TOTAL EXPENDITURES	\$ 6,006,790	\$ 5,708,810	\$ 11,018,970	\$ 6,740,070	\$ 5,063,340
Net Addition Fund Balance	\$ (1,519,490)	\$ (1,146,960)	\$ (6,377,520)	\$ (2,134,420)	\$ (395,390)
FUND BALANCE RESERVE					
Beginning	9,333,363	9,063,873	9,204,913	4,154,393	3,386,973
Net Addition	(1,519,490)	(1,146,960)	(6,377,520)	(2,134,420)	(395,390)
Add Depreciation	1,250,000	1,288,000	1,327,000	1,367,000	1,408,000
Y/E Fund Reserve	\$ 9,063,873	\$ 9,204,913	\$ 4,154,393	\$ 3,386,973	\$ 4,399,583
Required Reserve:					
Cash Flow	\$ 632,000	\$ 651,000	\$ 669,000	\$ 690,000	\$ 710,000
Capital Reserve	7,881,873	8,003,913	2,935,393	2,146,973	3,139,583
Debt Service	550,000	550,000	550,000	550,000	550,000
	\$ 9,063,873	\$ 9,204,913	\$ 4,154,393	\$ 3,386,973	\$ 4,399,583
Excess Fund Reserve	\$ -	\$ -	\$ -	\$ -	\$ -