

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 \$575,000 are scheduled for 2013, with \$200,000 planned to begin construction of two new wells, \$300,000 planned for general system improvements, and \$75,000 appropriated for capital equipment replacement. Debt service principal and interest payments scheduled for 2013 totaling \$543,000 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 FUND SUMMARY SEWER UTILITY FUND - 602

	2010 Actual	2011 Actual	2012 Budget	2012 Projected	2013 Requested Budget
BEGINNING FUND RESERVE	\$ 10,551,949	\$ 10,335,613	\$ 10,335,613	\$ 10,335,613	\$ 6,200,637
REVENUES					
Operating Revenues	\$ 4,619,489	\$ 4,849,387	\$ 4,830,500	\$ 4,847,880	\$ 4,883,000
Capital Financing					
Sewer Connection Charges	11,963	9,333	15,000	18,400	15,000
TOTAL REVENUES	\$ 4,631,452	\$ 4,858,720	\$ 4,845,500	\$ 4,866,280	\$ 4,898,000
EXPENDITURES					
Operating					
Personal Services	\$ 590,088	\$ 284,005	\$ 318,030	\$ 315,079	\$ 333,650
Supplies	28,796	21,037	39,000	27,950	35,700
Contractual Services	288,403	327,623	368,100	338,305	374,420
MWCC Disposal Charges	2,765,188	2,797,910	2,606,130	2,606,130	2,927,664
Other	556,398	492,645	498,250	500,750	523,390
Depreciation	1,137,267	873,750	878,500	878,500	900,000
Debt Service	-	-	-	-	-
	\$ 5,366,140	\$ 4,796,970	\$ 4,708,010	\$ 4,666,714	\$ 5,094,824
Capital & Infrastructure					
Capital Projects	618,915	2,433,932	2,773,300	1,957,300	2,593,300
TOTAL EXPENDITURES	\$ 5,985,055	\$ 7,230,902	\$ 7,481,310	\$ 6,624,014	\$ 7,688,124
Net Addition Fund Balance	\$ (1,353,603)	\$ (2,372,182)	\$ (2,635,810)	\$ (1,757,734)	\$ (2,790,124)
FUND BALANCE RESERVE					
Beginning	\$ 10,551,949	\$ 10,335,613	\$ 8,837,181	\$ 7,079,871	\$ 6,200,637
Add Net Income	(1,353,603)	(2,372,182)	(2,635,810)	(1,757,734)	(2,790,124)
Add Depreciation	1,137,267	873,750	878,500	878,500	900,000
Y/E Fund Balance Reserve	10,335,613	8,837,181	7,079,871	6,200,637	4,310,513
Required Reserve:					
Cash Flow	\$ 1,212,000	\$ 1,589,000	\$ 1,651,000	\$ 1,436,000	\$ 1,697,000
Capital Reserve	3,637,000	3,374,000	3,379,000	3,379,000	3,400,000
Debt Service	-	-	-	-	-
	\$ 4,849,000	\$ 4,963,000	\$ 5,030,000	\$ 4,815,000	\$ 5,097,000
Fund Reserve	\$ 5,486,613	\$ 3,874,181	\$ 2,049,871	\$ 1,385,637	\$ (786,487)

CITY OF BLAINE, MINNESOTA

**2013 FUND SUMMARY
SEWER UTILITY FUND - 602**

	2013 Requested Budget	2014 Estimate	2015 Estimate	2016 Estimate	2017 Estimate
BEGINNING FUND RESERVE	\$ 6,200,637	\$ 4,310,513	\$ 3,426,123	\$ 3,151,843	\$ 3,585,873
REVENUES					
Operating Revenues	\$ 4,883,000	\$ 4,927,500	\$ 5,021,500	\$ 5,115,500	\$ 5,219,500
Capital Financing					
Sewer Connection Charges	15,000	15,000	15,000	15,000	15,000
TOTAL REVENUES	\$ 4,898,000	\$ 4,942,500	\$ 5,036,500	\$ 5,130,500	\$ 5,234,500
EXPENDITURES					
Operating					
Personal Services	\$ 333,650	\$ 331,510	\$ 345,850	\$ 361,000	\$ 376,970
Supplies	35,700	36,100	36,700	37,300	37,900
Contractual Services	374,420	273,980	280,230	286,770	293,610
MWCC Disposal Charges	2,927,664	3,074,000	3,227,700	3,389,100	3,558,600
Other	523,390	511,300	529,300	547,300	566,300
Depreciation	900,000	940,000	980,000	1,020,000	1,060,000
Debt Service	-	-	-	-	-
	\$ 5,094,824	\$ 5,166,890	\$ 5,399,780	\$ 5,641,470	\$ 5,893,380
Capital & Infrastructure					
Capital Projects	2,593,300	1,600,000	891,000	75,000	75,000
TOTAL EXPENDITURES	\$ 7,688,124	\$ 6,766,890	\$ 6,290,780	\$ 5,716,470	\$ 5,968,380
Net Addition Fund Balance	\$ (2,790,124)	\$ (1,824,390)	\$ (1,254,280)	\$ (585,970)	\$ (733,880)
FUND BALANCE RESERVE					
Beginning	\$ 6,200,637	\$ 4,310,513	\$ 3,426,123	\$ 3,151,843	\$ 3,585,873
Add Net Income	(2,790,124)	(1,824,390)	(1,254,280)	(585,970)	(733,880)
Add Depreciation	900,000	940,000	980,000	1,020,000	1,060,000
Y/E Fund Balance Reserve	4,310,513	3,426,123	3,151,843	3,585,873	3,911,993
Required Reserve:					
Cash Flow	\$ 1,697,000	\$ 1,457,000	\$ 1,328,000	\$ 1,174,000	\$ 1,227,000
Capital Reserve	3,400,000	3,440,000	3,480,000	3,520,000	3,560,000
Debt Service	-	-	-	-	-
	\$ 5,097,000	\$ 4,897,000	\$ 4,808,000	\$ 4,694,000	\$ 4,787,000
Fund Reserve	\$ (786,487)	\$ (1,470,877)	\$ (1,656,157)	\$ (1,108,127)	\$ (875,007)