

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 20,865 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 10.5 full-time equivalent (FTE) staff budgeted in the division. A fund summary follows this brief narrative.

Operations

Revenues

Operating revenue in 2020 is expected to surpass budgeted amounts by a healthy margin. Water service billed through August is ahead of last year at this time by \$384,000 (10%). If this trend continues, water sales would exceed \$4.7 million. The suspension of penalties assessed in response to the pandemic will have a small impact; collections that usually exceed \$90,000 will be closer to \$11,000 by year-end. A one-time reimbursement of \$406,000 associated with the AMR project was received in 2020.

Revenue projections for the 2021 budget are made with the expectation that water consumption will return to that of a 'typical' year. Staff is recommending that rates again increase by 10 cents per 1,000 gallon. In addition, penalty assessments are expected to resume in 2021. Total operating revenue is estimated to exceed \$5 million in 2021. 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 \$158,000 from the 2020 budget. Personal services (salaries and benefits) are expected to increase by 9%. Beyond the 3% general wage increase, the recently ratified public service worker contract institutes a new step increase at 5 years of service, and also provides for premium pay for some employees with advanced certification or licensure. In addition, the supervisor position is no longer split between water and sewer functions, but is a 100% water position; it is assumed that the working foreman position will be split 50/50 with the Sewer Fund. The supplies budget is expected to remain flat. Contractual service expenses are increased by \$69,000 to more accurately reflect anticipated activity. Administrative charges paid to the General Fund will increase by \$89,000, and charges paid to the Building Maintenance internal service fund will increase \$2,000. Depreciation expense is expected to increase in 2021 as the WTP will just be coming into operation; the depreciation amount of \$1,750,000 is based on the projection the new plant will go on line sometime in the spring of 2021.

Capital Improvements

Capital projects totaling \$3.2 million are slated to occur in 2021. Of this total, well house rehabilitation (Well #16) is planned for \$1.6 million; \$750,000 million is budgeted for the interior improvements (electrical, mechanical, and painting) for WTP 1 & 3. \$350,000 is being allocated for system improvements done in conjunction with street improvement projects. Lexington Water Separation & Metering is budgeted for approximately \$330,000; the replacement of pressure zone valves/RPZs/Tower replacements for \$150,000, and \$30,000 is budgeted for a risk assessment and emergency response plan to be developed. Debt service payments totaling \$2.4 million are scheduled for 2021 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 2021 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. Water rate increases totaling 40¢ per thousand gallons are built into the last four years of the 5-year model.

CITY OF BLAINE, MINNESOTA									
2021 SUMMARY BUDGET									
WATER UTILITY FUND - 601									
	2018 Actual	2019 Actual	2020 Budget	2020 Projected	2021 Proposed Budget	2022 Estimate	2023 Estimate	2024 Estimate	2025 Estimate
BEGINNING FUND RESERVE ESTIMATE	\$ 9,587,841	\$ 37,402,731	\$ 20,921,198	\$ 20,921,198	\$ 10,437,243	\$ 6,769,332	\$ 3,537,412	\$ 2,300,242	\$ 1,367,972
REVENUES									
Operating Revenues	\$ 4,425,128	\$ 4,411,077	\$ 4,789,300	\$ 5,069,850	\$ 5,107,800	\$ 5,417,700	\$ 5,730,700	\$ 6,051,800	\$ 6,381,500
Capital Financing									
WAC Fees	748,143	832,339	738,000	700,000	\$ 630,000	567,000	510,300	484,800	436,300
Debt Proceeds	32,837,990	-	-	-	-	-	-	-	-
Miscellaneous Reimbursement				406,000					
Other Financing Sources	788	391,187	2,500	-	-	-	-	-	-
TOTAL REVENUES	\$ 38,012,049	\$ 5,634,603	\$ 5,529,800	\$ 6,175,850	\$ 5,737,800	\$ 5,984,700	\$ 6,241,000	\$ 6,536,600	\$ 6,817,800
EXPENDITURES									
Operating									
Personal Services	\$ 754,282	\$ 912,188	\$ 1,048,560	\$ 840,400	\$ 1,144,900	\$ 1,179,100	\$ 1,212,600	\$ 1,247,000	\$ 1,285,300
Supplies	390,318	534,980	439,000	273,700	339,500	425,300	594,300	608,300	622,300
Contractual Services	869,046	758,878	943,600	949,510	1,013,000	1,018,000	1,042,200	1,066,600	1,092,200
Admin. & Other Charges	675,630	774,111	819,405	811,255	911,311	929,220	952,070	975,970	999,920
Depreciation	1,778,622	1,409,604	1,450,000	1,450,000	1,750,000	2,150,000	2,300,000	2,450,000	2,600,000
	\$ 4,467,898	\$ 4,389,761	\$ 4,700,565	\$ 4,324,865	\$ 5,158,711	\$ 5,701,620	\$ 6,101,170	\$ 6,347,870	\$ 6,599,720
Capital & Infrastructure									
Capital Equipment	85,671	153,768	148,800	625,400	375,000	265,000	355,000	260,000	165,000
Capital Projects	5,814,774	17,112,558	18,877,000	11,319,310	3,240,000	3,290,000	1,300,000	1,200,000	1,290,000
Debt Service	1,607,438	1,869,653	1,840,230	1,840,230	2,382,000	2,375,000	2,377,000	2,371,000	2,368,000
TOTAL EXPENDITURES	\$ 11,975,781	\$ 23,525,740	\$ 25,566,595	\$ 18,109,805	\$ 11,155,711	\$ 11,366,620	\$ 9,778,170	\$ 9,918,870	\$ 10,257,720
Net Addition Fund Balance	\$ 26,036,268	\$ (17,891,137)	\$ (20,036,795)	\$ (11,933,955)	\$ (5,417,911)	\$ (5,381,920)	\$ (3,537,170)	\$ (3,382,270)	\$ (3,439,920)
FUND BALANCE RESERVE									
Beginning	9,587,841	37,402,731	20,921,198	20,921,198	10,437,243	6,769,332	3,537,412	2,300,242	1,367,972
Net Addition	26,036,268	(17,891,137)	(20,036,795)	(11,933,955)	(5,417,911)	(5,381,920)	(3,537,170)	(3,382,270)	(3,439,920)
Add Depreciation	1,778,622	1,409,604	1,450,000	1,450,000	1,750,000	2,150,000	2,300,000	2,450,000	2,600,000
Y/E Fund Reserve	\$ 37,402,731	\$ 20,921,198	\$ 2,334,403	\$ 10,437,243	\$ 6,769,332	\$ 3,537,412	\$ 2,300,242	\$ 1,367,972	\$ 528,052
Required Reserve:									
Cash Flow	\$ 672,000	\$ 745,000	\$ 813,000	\$ 719,000	\$ 852,000	\$ 888,000	\$ 950,000	\$ 974,000	\$ 1,000,000
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
	\$ 6,222,000	\$ 6,295,000	\$ 6,363,000	\$ 6,269,000	\$ 6,402,000	\$ 6,438,000	\$ 6,500,000	\$ 6,524,000	\$ 6,550,000
Excess Fund Reserve	\$ 31,180,731	\$ 14,626,198	\$ (4,028,597)	\$ 4,168,243	\$ 367,332	\$ (2,900,588)	\$ (4,199,758)	\$ (5,156,028)	\$ (6,021,948)