

## **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 18,500 accounts, 95% of which are residential. Overall, Blaine provides water to 96% of the citizens of Blaine. The system has a daily pumping capacity of 18.5 million gallons, with average daily usage of 6 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 budgeted in the division. A fund summary follows this brief narrative.

### **Operations**

#### **Revenues**

Operating revenue in 2015 is expected to fall barely short of budgeted amounts by about \$7,000, which essentially means we had the kind of year we anticipated. Total revenues in 2016 are budgeted to increase from 2015 projections by about \$50,000, reflecting increasing water sales due to new accounts coming on-line. Operating revenue is sufficient to cover operating expenses, thus no rate adjustment is recommended for 2016. 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 almost \$44,000 (1.6%) over 2015's budget. Personal services (salaries and benefits) include a 3.0% general wage increase, but at the same time decline due to a technical correction – removing a Public Service Worker erroneously budgeted here, who in reality works in the Parks division. The supplies budget is decreased by \$58,000 to more accurately reflect recent expense trends. Contractual service costs are increasing by nearly \$120,000 in order to include funding for cleaning sections of water main, and for an update to the Water comp plan. Administrative charges paid to the General Fund are being increased by about \$28,000.

#### **Capital Improvements**

Water utility capital improvements will continue pursuant to the improvement plan adopted in 2003. Capital expenditures \$4 million are scheduled for 2016, with \$1,800,000 programmed to continue planning and development of up to four new wells, \$625,000 to rehabilitate Aquatore water tower, \$550,000 for a trunk main connection to Tower #4, \$300,000 to replace filter media at treatment plants 2 and 3, \$250,000 to replace meter radios in order to improve AMR functionality, \$145,000 to continue a program to rehabilitate the city's wells, \$100,000 to compensate developers for installing over-sized water mains, \$63,000 for Water's share of the SCADA system replacement, and \$67,000 appropriated for capital equipment replacement. Debt service interest payments scheduled for 2016 totaling \$140,000 are budgeted as well.

#### **5-Year Projections**

In addition to the 2016 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

## 2016 SUMMARY BUDGET WATER UTILITY FUND - 601

	2013 Actual	2014 Actual	2015 Budget	2015 Projected	2016 Preliminary Budget
<b>BEGINNING FUND RESERVE</b>	\$ 7,359,824	\$ 8,471,887	\$ 8,471,887	\$ 9,752,202	\$ 10,218,547
<b>REVENUES</b>					
Operating Revenues	\$ 3,770,760	\$ 4,022,040	\$ 4,092,300	\$ 4,085,085	\$ 4,138,050
Capital Financing					
WAC Fees	652,983	678,639	600,000	652,300	\$ 650,000
Transfer from Other Funds	-	-			
Other	2,351	1,874	-	2,500	2,500
<b>TOTAL REVENUES</b>	<b>\$ 4,426,094</b>	<b>\$ 4,702,553</b>	<b>\$ 4,692,300</b>	<b>\$ 4,739,885</b>	<b>\$ 4,790,550</b>
<b>EXPENDITURES</b>					
Operating					
Personal Services	\$ 644,787	\$ 705,878	\$ 800,470	\$ 690,800	\$ 757,090
Supplies	406,279	393,900	461,900	339,100	403,400
Contractual Services	929,794	896,059	961,300	685,900	1,079,450
Admin. & Other Charges	545,488	545,753	542,600	641,700	570,200
Depreciation	1,244,931	1,166,403	1,274,000	1,274,000	1,285,000
	<b>\$ 3,771,279</b>	<b>\$ 3,707,993</b>	<b>\$ 4,040,270</b>	<b>\$ 3,631,500</b>	<b>\$ 4,095,140</b>
Capital & Infrastructure					
Capital Projects	614,457	721,384	2,573,750	486,100	3,900,000
Debt Service	173,226	159,264	154,740	149,625	140,000
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,558,962</b>	<b>\$ 4,588,641</b>	<b>\$ 6,768,760</b>	<b>\$ 4,267,225</b>	<b>\$ 8,135,140</b>
<b>Net Addition Fund Balance</b>	<b>\$ (132,868)</b>	<b>\$ 113,912</b>	<b>\$ (2,076,460)</b>	<b>\$ 472,660</b>	<b>\$ (3,344,590)</b>
<b>FUND BALANCE RESERVE</b>					
Beginning	7,359,824	8,471,887	9,752,202	8,471,887	10,218,547
Net Addition	(132,868)	113,912	(2,076,460)	472,660	(3,344,590)
Add Depreciation	1,244,931	1,166,403	1,274,000	1,274,000	1,285,000
<b>Y/E Fund Reserve</b>	<b>\$ 8,471,887</b>	<b>\$ 9,752,202</b>	<b>\$ 8,949,742</b>	<b>\$ 10,218,547</b>	<b>\$ 8,158,957</b>
<b>Required Reserve:</b>					
Cash Flow	\$ 632,000	\$ 635,000	\$ 692,000	\$ 589,000	\$ 703,000
Capital Reserve	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
	<b>\$ 6,182,000</b>	<b>\$ 6,185,000</b>	<b>\$ 6,242,000</b>	<b>\$ 6,139,000</b>	<b>\$ 6,253,000</b>
<b>Excess Fund Reserve</b>	<b>\$ 2,289,887</b>	<b>\$ 3,567,202</b>	<b>\$ 2,707,742</b>	<b>\$ 4,079,547</b>	<b>\$ 1,905,957</b>

# CITY OF BLAINE, MINNESOTA

## 2016 SUMMARY BUDGET WATER UTILITY FUND - 601

	2016 Preliminary Budget	2017 Estimate	2018 Estimate	2019 Estimate	2020 Estimate
<b>BEGINNING FUND RESERVE</b>	\$ 10,218,547	\$ 8,158,957	\$ 4,321,952	\$ 5,456,512	\$ 6,180,422
<b>REVENUES</b>					
Operating Revenues	\$ 4,138,050	\$ 4,085,085	\$ 4,138,050	\$ 4,043,350	\$ 4,093,450
Capital Financing					
WAC Fees	\$ 650,000	585,000	526,500	500,200	450,200
Transfer from Other Funds					
Other	2,500	2,500	2,500	2,500	2,500
<b>TOTAL REVENUES</b>	<b>\$ 4,790,550</b>	<b>\$ 4,672,585</b>	<b>\$ 4,667,050</b>	<b>\$ 4,546,050</b>	<b>\$ 4,546,150</b>
<b>EXPENDITURES</b>					
Operating					
Personal Services	\$ 757,090	\$ 778,990	\$ 804,190	\$ 833,640	\$ 866,660
Supplies	403,400	409,700	415,700	421,700	427,700
Contractual Services	1,079,450	1,052,600	1,076,200	1,101,000	1,126,200
Admin. & Other Charges	570,200	581,600	595,600	610,600	625,600
Depreciation	1,285,000	1,324,000	1,364,000	1,405,000	1,447,000
	<b>\$ 4,095,140</b>	<b>\$ 4,146,890</b>	<b>\$ 4,255,690</b>	<b>\$ 4,371,940</b>	<b>\$ 4,493,160</b>
Capital & Infrastructure					
Capital Projects	3,900,000	5,563,000	534,000	766,000	563,000
Debt Service	140,000	123,700	106,800	89,200	70,800
<b>TOTAL EXPENDITURES</b>	<b>\$ 8,135,140</b>	<b>\$ 9,833,590</b>	<b>\$ 4,896,490</b>	<b>\$ 5,227,140</b>	<b>\$ 5,126,960</b>
<b>Net Addition Fund Balance</b>	<b>\$ (3,344,590)</b>	<b>\$ (5,161,005)</b>	<b>\$ (229,440)</b>	<b>\$ (681,090)</b>	<b>\$ (580,810)</b>
<b>FUND BALANCE RESERVE</b>					
Beginning	10,218,547	8,158,957	4,321,952	5,456,512	6,180,422
Net Addition	(3,344,590)	(5,161,005)	(229,440)	(681,090)	(580,810)
Add Depreciation	1,285,000	1,324,000	1,364,000	1,405,000	1,447,000
<b>Y/E Fund Reserve</b>	<b>\$ 8,158,957</b>	<b>\$ 4,321,952</b>	<b>\$ 5,456,512</b>	<b>\$ 6,180,422</b>	<b>\$ 7,046,612</b>
<b>Required Reserve:</b>					
Cash Flow	\$ 703,000	\$ 706,000	\$ 723,000	\$ 742,000	\$ 762,000
Capital Reserve	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
	<b>\$ 6,253,000</b>	<b>\$ 6,256,000</b>	<b>\$ 6,273,000</b>	<b>\$ 6,292,000</b>	<b>\$ 6,312,000</b>
<b>Excess Fund Reserve</b>	<b>\$ 1,905,957</b>	<b>\$ (1,934,048)</b>	<b>\$ (816,488)</b>	<b>\$ (111,578)</b>	<b>\$ 734,612</b>