

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 19,500 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 6.5 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 budgeted in the division. A fund summary follows this brief narrative.

Operations

Revenues

Operating revenue in 2016 is expected to fall short of budgeted amounts by about \$67,000, which can be attributed to less consumption than anticipated. Operating revenues in 2017 are budgeted to increase from 2016 projections by about \$75,000, 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 2017. 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 decrease by \$4,400 from 2016's budget. Personal services (salaries and benefits) are expected to increase by 4.5%, and include a 3.0% general wage increase, plus adjustments to cafeteria and worker's compensation expenses. The supplies budget is decreased by \$21,400 to more accurately reflect recent expense trends. Contractual service expenses are decreased by \$14,000 to more accurately reflect anticipated activity. Administrative charges paid to the General Fund will decrease by \$8,500.

Capital Improvements

Water utility capital improvements will continue pursuant to the improvement plan adopted in 2003. Capital expenditures of \$14.7 million are scheduled for 2017, with \$11 million for the planning, design and initial construction of treatment plant #4 (the total project cost is estimated to be \$23 million), \$1,270,000 programmed to continue development of up to four new wells, \$1,175,000 to rehabilitate Aquatore water tower, \$500,000 for replacement of the 105th Avenue water main, \$85,000 to complete filter media replacement at treatment plants 2 and 3, \$250,000 to replace meter radios in order to improve AMR functionality, \$168,000 to continue a program to rehabilitate the city's wells, and \$100,000 to compensate developers for installing over-sized water mains. Debt service interest payments scheduled for 2017 totaling \$123,700 are budgeted 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 2017 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. Construction of the \$23 million treatment plant #4 will require the issuance and sale of revenue bonds in 2017. Debt service expenses will begin in 2018, which may indicate the need for increased water rates.

CITY OF BLAINE, MINNESOTA

2017 SUMMARY BUDGET WATER UTILITY FUND - 601

	2014 Actual	2015 Actual	2016 Budget	2016 Projected	2017 Proposed Budget
BEGINNING FUND RESERVE	\$ 8,471,887	\$ 9,747,913	\$ 11,068,648	\$ 11,068,648	\$ 9,839,547
REVENUES					
Operating Revenues	\$ 4,022,040	\$ 3,876,060	\$ 4,092,300	\$ 4,025,200	\$ 4,100,250
Capital Financing					
WAC Fees	678,639	662,356	600,000	652,300	\$ 650,000
Debt Proceeds	-	-	-	-	23,000,000
Transfer from Other Funds	-	-	-	-	-
Other	1,874	1,382	-	2,500	2,500
TOTAL REVENUES	\$ 4,702,553	\$ 4,539,798	\$ 4,692,300	\$ 4,680,000	\$ 27,752,750
EXPENDITURES					
Operating					
Personal Services	\$ 705,878	\$ 681,201	\$ 757,090	\$ 733,850	\$ 791,170
Supplies	393,900	307,674	403,400	379,000	382,000
Contractual Services	900,348	807,175	1,087,450	1,002,430	1,073,500
Admin. & Other Charges	545,753	541,650	570,200	570,200	567,100
Depreciation	1,166,403	1,159,291	1,285,000	1,285,000	1,285,000
	\$ 3,712,282	\$ 3,496,991	\$ 4,103,140	\$ 3,970,480	\$ 4,098,770
Capital & Infrastructure					
Capital Projects	721,384	734,895	4,400,000	486,100	14,048,600
Debt Service	159,264	146,468	154,740	140,760	123,700
TOTAL EXPENDITURES	\$ 4,592,930	\$ 4,378,354	\$ 8,657,880	\$ 4,597,340	\$ 18,271,070
Net Addition Fund Balance	\$ 109,623	\$ 161,444	\$ (3,965,580)	\$ 82,660	\$ 9,481,680
FUND BALANCE RESERVE					
Beginning	8,471,887	9,747,913	9,747,913	8,471,887	9,839,547
Net Addition	109,623	161,444	(3,965,580)	82,660	9,481,680
Add Depreciation	1,166,403	1,159,291	1,285,000	1,285,000	1,285,000
Y/E Fund Reserve	\$ 9,747,913	\$ 11,068,648	\$ 7,067,333	\$ 9,839,547	\$ 20,606,227
Required Reserve:					
Cash Flow	\$ 636,000	\$ 584,000	\$ 705,000	\$ 671,000	\$ 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
	\$ 6,186,000	\$ 6,134,000	\$ 6,255,000	\$ 6,221,000	\$ 6,253,000
Excess Fund Reserve	\$ 3,561,913	\$ 4,934,648	\$ 812,333	\$ 3,618,547	\$ 14,353,227

CITY OF BLAINE, MINNESOTA

2017 SUMMARY BUDGET WATER UTILITY FUND - 601

	2017 Proposed Budget	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
BEGINNING FUND RESERVE	\$ 9,839,547	\$ 20,606,227	\$ 9,512,022	\$ 10,089,652	\$ 10,767,772
REVENUES					
Operating Revenues	\$ 4,100,250	\$ 4,085,085	\$ 4,100,250	\$ 4,080,750	\$ 4,130,950
Capital Financing					
WAC Fees	\$ 650,000	585,000	526,500	500,200	450,200
Debt Proceeds	23,000,000	-	-	-	-
Transfer from Other Funds					
Other	2,500	2,500	2,500	2,500	2,500
TOTAL REVENUES	\$ 27,752,750	\$ 4,672,585	\$ 4,629,250	\$ 4,583,450	\$ 4,583,650
EXPENDITURES					
Operating					
Personal Services	\$ 791,170	\$ 813,990	\$ 840,720	\$ 871,930	\$ 906,900
Supplies	382,000	387,700	392,700	397,700	403,700
Contractual Services	1,073,500	1,046,300	1,071,000	1,095,900	1,122,200
Admin. & Other Charges	567,100	578,000	592,000	606,000	621,000
Depreciation	1,285,000	1,324,000	1,824,000	1,879,000	1,935,000
	\$ 4,098,770	\$ 4,149,990	\$ 4,720,420	\$ 4,850,530	\$ 4,988,800
Capital & Infrastructure					
Capital Projects	14,048,600	12,534,000	766,000	563,000	515,000
Debt Service	123,700	406,800	389,200	370,800	351,600
TOTAL EXPENDITURES	\$ 18,271,070	\$ 17,090,790	\$ 5,875,620	\$ 5,784,330	\$ 5,855,400
Net Addition Fund Balance	\$ 9,481,680	\$(12,418,205)	\$(1,246,370)	\$(1,200,880)	\$(1,271,750)
FUND BALANCE RESERVE					
Beginning	9,839,547	20,606,227	9,512,022	10,089,652	10,767,772
Net Addition	9,481,680	(12,418,205)	(1,246,370)	(1,200,880)	(1,271,750)
Add Depreciation	1,285,000	1,324,000	1,824,000	1,879,000	1,935,000
Y/E Fund Reserve	\$ 20,606,227	\$ 9,512,022	\$ 10,089,652	\$ 10,767,772	\$ 11,431,022
Required Reserve:					
Cash Flow	\$ 703,000	\$ 706,000	\$ 724,000	\$ 743,000	\$ 763,000
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
	\$ 6,253,000	\$ 6,256,000	\$ 6,274,000	\$ 6,293,000	\$ 6,313,000
Excess Fund Reserve	\$ 14,353,227	\$ 3,256,022	\$ 3,815,652	\$ 4,474,772	\$ 5,118,022