

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 20,300 accounts, 95% of which are residential. Overall, Blaine provides water more than 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 9.25 full-time equivalent (FTE) staff budgeted in the division. A fund summary follows this brief narrative.

Operations

Revenues

Operating revenue in 2018 is projected to exceed budgeted amounts by about \$207,000, which can most likely be attributed to higher consumption than anticipated. Operating revenues in 2019 are budgeted to increase from 2018 projections by about \$217,000. The budget presented here includes an across-the-board rate increase of 10¢ per thousand gallons. 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 \$177,000 from the 2018 budget. Personal services (salaries and benefits) are expected to increase by 10%, which in addition to a 3% general wage increase, increased overtime expenses, and increased cafeteria expenses, also includes an additional full-time Public Service Worker. The supplies budget is not expected to require an increase. Contractual service expenses are decreased by \$69,000 to more accurately reflect anticipated activity. While administrative charges paid to the General Fund will remain roughly the same, charges totaling \$69,000 will be assessed and paid to the new Building Maintenance internal service fund.

Capital Improvements

Capital projects totaling \$27.75 million are slated to occur in 2019. Of this total, the majority of the treatment plant #4 construction (\$20 million) is scheduled. Other projects include SCADA system improvements (\$2.8 million); well house rehabilitation (\$2 million); water tower improvements (\$1.1 million); metering of water to the city of Lexington (\$425,000); water main replacements and trunk oversizing (\$450,000); and other smaller improvements (\$280,000). Replacement of capital equipment will total \$150,000, and debt service payments totaling \$548,000 are scheduled for 2019 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 2019 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 \$24 million treatment plant #4 will require the issuance and sale of revenue bonds in 2019, with related debt service expenses beginning in 2020. Water rate increases totaling 40¢ per thousand gallons are built into the last four years of the 5-year model.

CITY OF BLAINE, MINNESOTA

2019 SUMMARY BUDGET WATER UTILITY FUND - 601

	2016 Actual	2017 Actual	2018 Budget	2018 Projected	2019 Proposed Budget
BEGINNING FUND RESERVE	\$ 10,648,158	\$ 11,411,491	\$ 9,587,841	\$ 9,587,841	\$ 4,914,954
<u>REVENUES</u>					
Operating Revenues	\$ 3,920,433	\$ 3,958,532	\$ 4,227,525	\$ 4,434,320	\$ 4,650,900
Capital Financing					
WAC Fees	1,127,171	801,825	650,000	650,000	\$ 585,000
Debt Proceeds	-	-	30,000,000	-	30,000,000
Other	587	351	2,500	-	-
TOTAL REVENUES	\$ 5,048,191	\$ 4,760,708	\$ 34,880,025	\$ 5,084,320	\$ 35,235,900
<u>EXPENDITURES</u>					
Operating					
Personal Services	\$ 730,589	\$ 815,645	\$ 826,500	\$ 778,590	\$ 907,520
Supplies	467,584	281,630	427,400	427,400	427,400
Contractual Services	830,521	1,109,554	1,012,400	1,004,770	943,300
Admin. & Other Charges	575,960	573,552	586,500	586,500	751,725
Depreciation	1,274,121	1,273,404	1,285,000	1,285,000	1,285,000
	\$ 3,878,775	\$ 4,053,785	\$ 4,137,800	\$ 4,082,260	\$ 4,314,945
Capital & Infrastructure					
Capital Equipment	29,209	210,214	68,700	-	148,800
Capital Projects	2,093,917	3,022,547	14,503,300	5,752,214	27,050,900
Debt Service	591,695	571,216	487,700	545,400	548,200
TOTAL EXPENDITURES	\$ 6,593,596	\$ 7,857,762	\$ 19,197,500	\$ 10,379,874	\$ 32,062,845
Net Addition Fund Balance	\$ (1,545,405)	\$ (3,097,054)	\$ 15,682,525	\$ (5,295,554)	\$ 3,173,055
<u>FUND BALANCE RESERVE</u>					
Beginning	11,682,775	11,411,491	10,216,534	8,925,508	4,914,954
Net Addition	(1,545,405)	(3,097,054)	15,682,525	(5,295,554)	3,173,055
Add Depreciation	1,274,121	1,273,404	1,285,000	1,285,000	1,285,000
Y/E Fund Reserve	\$ 11,411,491	\$ 9,587,841	\$ 27,184,059	\$ 4,914,954	\$ 9,373,009
Required Reserve:					
Cash Flow	\$ 651,000	\$ 695,000	\$ 713,000	\$ 699,000	\$ 757,000
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
	\$ 6,201,000	\$ 6,245,000	\$ 6,263,000	\$ 6,249,000	\$ 6,307,000
Excess Fund Reserve	\$ 5,210,491	\$ 3,342,841	\$ 20,921,059	\$ (1,334,046)	\$ 3,066,009

CITY OF BLAINE, MINNESOTA

2019 SUMMARY BUDGET WATER UTILITY FUND - 601

	2019 Proposed Budget	2020 Estimate	2021 Estimate	2022 Estimate	2023 Estimate
BEGINNING FUND RESERVE	\$ 4,914,954	\$ 9,373,009	\$ 4,807,779	\$ 1,903,109	\$ 847,819
REVENUES					
Operating Revenues	\$ 4,650,900	\$ 4,935,900	\$ 5,221,100	\$ 5,511,600	\$ 5,807,300
Capital Financing					
WAC Fees	\$ 585,000	526,500	473,900	450,200	405,200
Debt Proceeds	30,000,000	-	-	-	-
Other	-	-	-	-	-
TOTAL REVENUES	\$ 35,235,900	\$ 5,462,400	\$ 5,695,000	\$ 5,961,800	\$ 6,212,500
EXPENDITURES					
Operating					
Personal Services	\$ 907,520	\$ 1,006,180	\$ 1,032,860	\$ 1,064,070	\$ 1,096,700
Supplies	427,400	433,700	681,700	695,700	709,700
Contractual Services	943,300	946,000	967,400	988,900	1,011,700
Admin. & Other Charges	751,725	766,550	785,310	805,120	824,970
Depreciation	1,285,000	1,324,000	1,990,000	2,033,000	2,077,000
	\$ 4,314,945	\$ 4,476,430	\$ 5,457,270	\$ 5,586,790	\$ 5,720,070
Capital & Infrastructure					
Capital Equipment	148,800	250,000	-	60,000	-
Capital Projects	27,050,900	5,650,000	2,350,000	590,000	450,000
Debt Service	548,200	1,225,200	2,782,400	2,873,300	2,788,400
TOTAL EXPENDITURES	\$ 32,062,845	\$ 11,351,630	\$ 10,589,670	\$ 9,050,090	\$ 8,958,470
Net Addition Fund Balance	\$ 3,173,055	\$ (5,889,230)	\$ (4,894,670)	\$ (3,088,290)	\$ (2,745,970)
FUND BALANCE RESERVE					
Beginning	4,914,954	9,373,009	4,807,779	1,903,109	847,819
Net Addition	3,173,055	(5,889,230)	(4,894,670)	(3,088,290)	(2,745,970)
Add Depreciation	1,285,000	1,324,000	1,990,000	2,033,000	2,077,000
Y/E Fund Reserve	\$ 9,373,009	\$ 4,807,779	\$ 1,903,109	\$ 847,819	\$ 178,849
Required Reserve:					
Cash Flow	\$ 757,000	\$ 788,000	\$ 867,000	\$ 888,000	\$ 911,000
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
	\$ 6,307,000	\$ 6,338,000	\$ 6,417,000	\$ 6,438,000	\$ 6,461,000
Excess Fund Reserve	\$ 3,066,009	\$ (1,530,221)	\$ (4,513,891)	\$ (5,590,181)	\$ (6,282,151)