



City of Blaine Anoka County, Minnesota

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Legislation Details (With Text)

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WORKSHOP ITEM: - *Joe Huss, Finance Director*

PROPOSED 2021 WATER UTILITY FUND BUDGET

As part of the City's comprehensive budgeting process, staff will be presenting preliminary budgets for the 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.

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%). Should this trend continue, water sales would exceed \$4.7 million. The suspension of penalties assessed in response to the pandemic will have a small negative 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 total. 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; the Working Foreman position will continue to be split 50/50 with the Sewer Fund. One final personnel addition to the 2021 Budget is for the Deputy Public Works Director position whose wages and benefits will be split evenly (25%) in the three Utility Funds - Water, Sanitary Sewer, and Storm Drainage - and the General 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 should 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 \$4.5 million are slated to occur in 2021. Of this total, well house rehabilitation is planned for \$1.8 million; \$1.4 million is budgeted for the cleaning and inspection of water tower No. 4; \$750,000 is planned for improvements to Water Treatment Plants 1 and 2; and \$400,000 is allocated for system improvements done in conjunction with street improvement projects. 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.

Budget summaries for the Water Utility Fund and the Sewer Utility Fund are attached.

Upon discussion of the attached budget and the programs supported by the proposed budget, staff is seeking Council input regarding adoption of the budget and the amendment of water utility fees.