



City of Blaine Anoka County, Minnesota

Blaine City Hall
10801 Town Sq Dr NE
Blaine MN 55449

Legislation Text

File #: RES 21-220, Version: 1

Administration - *Joe Huss, Finance Director/Asst. City Manager*

Title

Adopt 2022 Water Utility Enterprise Fund Budget

Executive Summary

Pursuant to requirements to adopt annual budgets for all operating funds, Staff is bringing forward the proposed 2022 Water Utility Fund for Council consideration and adoption.

Background

Council reviewed the proposed 2022 Water Utility Fund Budget at the October 11, 2021 Workshop. At the Workshop, Council requested staff to amend the rate structure from the proposed \$0.20 increase. Staff reviewed the current rate structure and is proposing the creation of an additional tier by adding a break in tier 2 and implementing progressive rate increases outlined in the following table.

Current Tier Structure	Proposed Tier Structure
Tier 1 0-24,0000	Tier 1 0-24,0000
Tier 2 24,001-150,000	Tier 2 24,001-75,000
	Tier 3 75,000-150,000
Tier 3 150,000+	Tier 4 150,000+

Proposed Tier Structure	Proposed Fee Increases	2022 rate per 1,000 Gallons
Tier 1 0-24,0000	\$0.15	\$1.61
Tier 2 24,001-75,000	\$0.20	\$2.03
Tier 3 75,000-150,000	\$0.25	\$2.08
Tier 4 150,000+	\$0.30	\$2.80

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 nearly 21,000 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 full-time equivalent (FTE) staff budgeted in the division. A fund summary follows this brief narrative.

Revenues

Operating revenue in 2021 is expected to exceed budgeted levels significantly due to high consumption levels in response to the persistent drought. Water sales are projected to generate \$980,000 more than budgeted levels.

Operating revenues in 2022 are budgeted to increase from the 2021 budget amount by about \$203,000 based on the expectation of a typical year's consumption combined with the proposed progressive fee adjustment. 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 \$410,000 from the 2021 budget. Personal services (salaries and benefits) are expected to remain steady. While staff are slated to receive a 3% general wage increase and an increase in cafeteria compensation, management staff time that was previously budgeted directly in the Water Fund payroll will now be funded entirely in the General Fund. The Water Fund portion will be included in the Administration charges paid to the General Fund. The supplies budget is increased \$125,000, which reflects the increased use of treatment chemicals in Water Treatment Plant #4. Contractual service expenses are increased by \$140,000 due primarily to increased electrical use. 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.

Capital Improvements

Capital projects totaling \$2.1 million are slated for 2022, along with the acquisition of \$165,000 in capital equipment. Of this total, well-house rehabilitation is planned for \$600,000; \$800,000 for equipment replacement and interior improvements at treatment plant #2; \$40,000 for cleaning and inspection of Tower #1; \$150,000 in trunk oversizing to prepare for future development; 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 2022 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 2022 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 adjusted properly. Water rate increases that follow the same rate structure as proposed for the 2022 budget per thousand gallons are built into the last four years of the 5-year model.

Strategic Plan Relationship

Adoption of annual budgets contributes to the overall financial stability of the City.

Board/Commission Review

N/A

Financial Impact

The proposed budget, if adopted, will create a 4th water consumption tier and will increase the rate per 1,000 gallons of water consumption by \$0.15 for tier 1, \$0.20 for tier 2, \$0.25 for tier 3, and \$0.30 for tier 4. This will result in projected revenues of \$5,713,500 and a stabilization of fund reserves throughout the five-year model.

Public Outreach/Input

N/A

Staff Recommendation

Approve the 2022 Water Utility Fund Budget through the adoption of the following resolution.

Attachment List

Proposed 2022 Water Utility Fund Budget.

WHEREAS, the proposed Water Utility Enterprise Fund Budget for the fiscal year commencing January 1, 2022 has been prepared by the City Manager; and

WHEREAS, the City Council has examined, studied, and reviewed said proposed Water Utility Enterprise Fund Budget; and

WHEREAS, the City Council has, after due consideration and deliberation, made such amendments and adjustments in the proposed Water Utility Enterprise Fund Budget as they consider necessary, desirable, or expedient.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Blaine as follows:

1. That the proposed Budget for the Water Utility Enterprise Fund attached hereto is approved.
2. That the 2022 appropriations attached hereto are approved.
3. That the 2022 funding sources and fee adjustments identified and attached hereto and reflected in the City's fee schedule are approved.

That the City Manager is authorized and directed to implement and to administer, within the budgetary funding limits and within adopted City policy and relevant State and City laws and regulations, said approved Water Utility Enterprise Fund Budget.

PASSED by the City Council of the City of Blaine this 6th day of December, 2021.