

MEMORANDUM

Date: September 27, 2023

To: Water Utility Board

From: Krishna Kumar, General Manager
January Vang, Finance & Admin Manager

Subject: 2024 Capital and Operating Budget Requests

RECOMMENDATION

Staff request the Board to review and accept the Water Utility's (Utility) 2024 Operating and Capital budget requests.

BACKGROUND

The Utility has completed the 2024 Capital and Operating budget requests for the Common Council and the Mayor's review and eventual adoption by the Common Council. The summary of the budget requests are discussed below:

Operating Fund

The Utility is requesting \$48.6M in operating expenses for 2024. This is comprised of:

- \$21.6 million in operations and maintenance (O&M) expense
- \$18.9 million in debt service
- \$8.1 million in payment to the City in lieu of taxes (PILOT)

2024 Operating budget request increased by \$800K from the estimated expenses for 2023 due to increases in payment to the City in lieu of taxes (PILOT) and overall cost increases in supplies, offset by salary savings due to vacant positions. The Utility has requested a new full time position in the 2024 operating budget for a Customer Service Representative-1 to respond to customer inquiries and resolve billing questions in a timely manner.

The Utility also plans to transfer from the Operating Fund \$5M to the Construction Fund for Expense Depreciation and another \$5M for Bond Repayment. The Utility is budgeting \$58.6M in revenues for 2024 resulting in a fund balance generated of \$200K for 2024. Details of the fund balance summary is provided in Attachment C.

Details of the Operating Budget request are included in Attachment A.

Construction Fund

The Utility is requesting \$17.4M for the 2024 Capital Improvement Program. The 2024 Capital budget includes:

- Water Main Programs - \$6.3 million
- Well 15 PFAS Treatment - \$5.1 million
- Facility Improvements - \$2.2 million
- Vehicles and Equipment - \$1.0 million
- Other projects and ongoing programs - \$2.8 million

Total \$17.4M

The 2024 Capital budget will be funded with \$5.1M from the Safe Drinking Water Loan Program, \$5M from expense depreciation and \$7.3M from Revenue General Obligation Bond. The Utility is projecting 2024 ending fund balance of \$500K in the Construction Fund. Details of the fund balance summary is provided in Attachment C.

Details of the Capital Budget request are included in Attachment B.

ATTACHMENTS:

- A. 2024 Operating Budget Request
- B. 2024 Capital Budget Request
- C. 2024 Operating & Capital Fund Balances Summary