



MEMORANDUM

Date: August 23, 2022

To: Water Utility Board

From: Krishna Kumar, General Manager
Kathy Schwenn, Finance Manager

Subject: 2023 Capital and Operating Budget Requests

RECOMMENDATION

Staff request the Board to review and accept the Water Utility's 2023 operating and capital budget requests.

BACKGROUND

The Utility has completed the 2023 capital and operating budget requests for the Common Council and the Mayor's review and eventual adoption. The details of the budget requests are discussed below.

Operating Fund

The Utility is requesting \$48.2 million in expenses for 2023. This is comprised of:

- \$21.4 million in operations and maintenance expense
- \$18.9 million in debt service
- \$7.9 million in payment to the City in lieu of taxes (PILOT)

2023 O&M is increased from the estimated expenses for 2022 due to the addition of \$2 million for tank painting in 2023 and salary increases of \$1.2 million due to filled vacant positions and overall cost increases. The Water Utility is requesting a new FTE in the 2023 operating budget for a Water Utility Administrative Assistant focusing on human resources matters.

The Utility is budgeting \$49.4 million in revenues for 2023 resulting in a fund balance generated of \$1.2 million for 2023. This surplus is included in the Major Expense category of "Transfer Out" on the attached 2023 Budget Request – Operating Fund. The Utility is projecting an 2023 ending fund balance of \$2.5 million in the operating fund. See 2023 Fund Balance Summary – Operating & Capital report attached.

Construction Fund

The Utility is requesting \$15.9 million for our 2023 Capital program. The 2023 Capital budget includes:

• Well 19 Iron & Manganese Filter	\$8.1 M
• Facility Improvements	2.7
• Water Main Programs	2.8
• Meter Program and Other	0.9
• Vehicles and Equipment	0.8
• Well 15 PFAS Treatment Project	0.4
• Well 14 Salt Mitigation	0.2
Total	\$15.9 M

The 2023 Capital budget will be funded with \$8.7 million from State Safe Drinking Water Loans, \$2.8 million from expense depreciation and \$4.4 million from reserve. The Utility is projecting 2023 ending fund balance of \$2.3 in the construction fund. See 2023 Fund Balance Summary – Operating & Capital report attached.

ATTACHMENTS:

1. 2023 Budget Request – Operating Fund
2. 2023 Budget Request – Construction Fund
3. 2023 Fund Balance Summary – Operating & Capital