

2016 Council Proposed Budget Questions - Water

- 1) Please summarize the major spending and financing changes included in your department's 2016 budget proposal. Please list the dollar amounts associated with these changes.
 - SPRWS 2016 Budget is one that maintains our ability to provide reliable, quality water and services to our customers at a reasonable cost. Details on our revenue and spending can be found in the budget letter to the Board of Water Commissioners included in this packet. 2015 Budget and 2016 Proposed revenue and spending are summarized on pages 14-16.
- 2) How will services be affected by the proposed budget changes (please provide specific examples)?
 - The 2016 SPRWS budget, as proposed, will allow us to continue our history of providing great water and services at a cost that is very competitive with other similar utilities in the region. We are also kicking off the first major improvements recommended by our long-term capital plan. Together with our ongoing investment in buried infrastructure replacement, these activities show a proactive approach to future maintenance of service levels as we strive to secure reliable production and distribution systems.
- 3) Please list any grants that are ending that have a significant impact on your budget? How are you handling it? What large grants are you applying for that will have long-term budget impacts or match requirements?
 - N/A
- 4) Please describe FTE changes in your department's proposed 2016 budget? What types of position(s) and how many are being affected? If FTEs are being eliminated, please indicate if the position(s) are currently vacant or filled. If FTEs are being added, please describe the duties of the new position(s) and the need for the additional position(s).
 - SPRWS proposed budget has an increase of 2.5 FTE's over the 2015 budgeted amount. This is detailed on page 15 of the packet. We are adding one FTE to our administration budget for a security officer. We have historically contracted this service to outside agencies and have decided to bring it back in-house to improve the level of service. We have also added an FTE to administration to oversee our emergency operations and response planning. This has been supplied in the past by a senior management employee and we want to dedicate this critical function to an EM Professional. Finally, we have added 0.5 FTE in engineering for construction season inspection services. An org chart and an historical summary of FTE levels are included in the attached document (pages 5-6).

- 5) What innovations has your department recently accomplished? What innovations are you currently working on or planning for in the future?
- SPRWS strives to continually improve the way we provide services to our customers. Our strategic plan (attached) includes areas of innovation in several of our focus areas. One area to highlight is, with our increased funding level for water main replacement, we are trying different technologies to perform the replacement in areas outside of street reconstruction projects. These “trenchless” methods minimize disruptions to the neighborhoods and street repairs.
- 6) Is your department anticipating any additional large budget needs or pressures in the future? How does your department plan to address changing service demands as a result of future demographic changes?
- SPRWS continues to address the challenges brought by a continued reduction in customer demand, coupled with increased need for capital investment in our infrastructure. We have developed a 10-year strategic plan to finance future operations as well as long-term capital investments.
 - We will continue to be involved in discussions to be an available option for providing other communities drinking water if their supply becomes unavailable or unreliable.
- 7) If you had additional funding, what would you add to your budget to improve service delivery to the public? **N/A**

Other items requested of all departments:

- List of fund balances with columns for name of fund; description of fund; 2012, 2013, and 2014 year-end fund balances; most recent cash balance; and notes/comments including how much is reserved and for what purpose.
 - i. See attached schedule (page 23)
- A list of proposed fee or rate changes with information on the amount of the fee/rate change, the reason for it, the last time the fee/rate was changed, how much the change is anticipated to raise, and homeowner impact, if applicable.
 - i. This information is available on pages 12-14 of your packet. It has an overview of water rate adjustments and the impact on our average customer.
- A detailed org chart with job titles and the number of FTEs in them and a differentiation between management and line staff, if possible.
 - i. This information is included on page 5 of your packet.
- List of top 3-5 department priorities. Please also include specific performance measures and department goals.
 - i. SPRWS Strategic goals are listed on pages 8-9 of your packet.
- Completed financial summary template for the general fund and any other funds requested
 - i. See attached schedule (page 24)



Saint Paul City Council Budget Committee

Saint Paul Regional Water Services

2016 Budget Presentation
Supplemental Information

October 7, 2015

General Information

Board of Water Commissioners

Saint Paul Regional Water Services (SPRWS) was established under Chapter 110, Laws of Minnesota for 1885. The Utility is a self-supporting enterprise of the City of Saint Paul (the “City”) and is governed by a seven member Board of Water Commissioners (the “Board”). The Board is composed of three City Council members of the City, two City residents who are neither employed by nor officials of the City, and two members from suburban city users of the services of the utility. All Board members except the two suburban members are appointed by the Mayor, subject to approval by the Council of the City. Council members who are also Commissioners of the Board serve terms concurrent with their Council terms of office and, once appointed, serve until the (i) expiration of their Council term, or (ii) removal by the Mayor. Citizen Board members serve overlapping four-year terms. The two suburban Board members are residents of a suburb served by the Board’s water system and are appointed to terms of two years by the respective suburban city councils. Current Commissioners of the utility are:

	<u>Office</u>	<u>Expiration of Term</u>
Matt Anfang (Saint Paul citizen)	President	June 30, 2016
Amy Brendmoen*	Vice President	December 31, 2015
Russ Stark*	Commissioner	December 31, 2015
Chris Tolbert*	Commissioner	December 31, 2015
David Meisinger (suburban representative)	Commissioner	December 31, 2015
Will Rossbach (suburban representative)	Commissioner	December 31, 2015
Mara Humphrey (Saint Paul citizen)	Commissioner	June 30, 2016

**Council member; date shown is end of current elected or appointed term.*

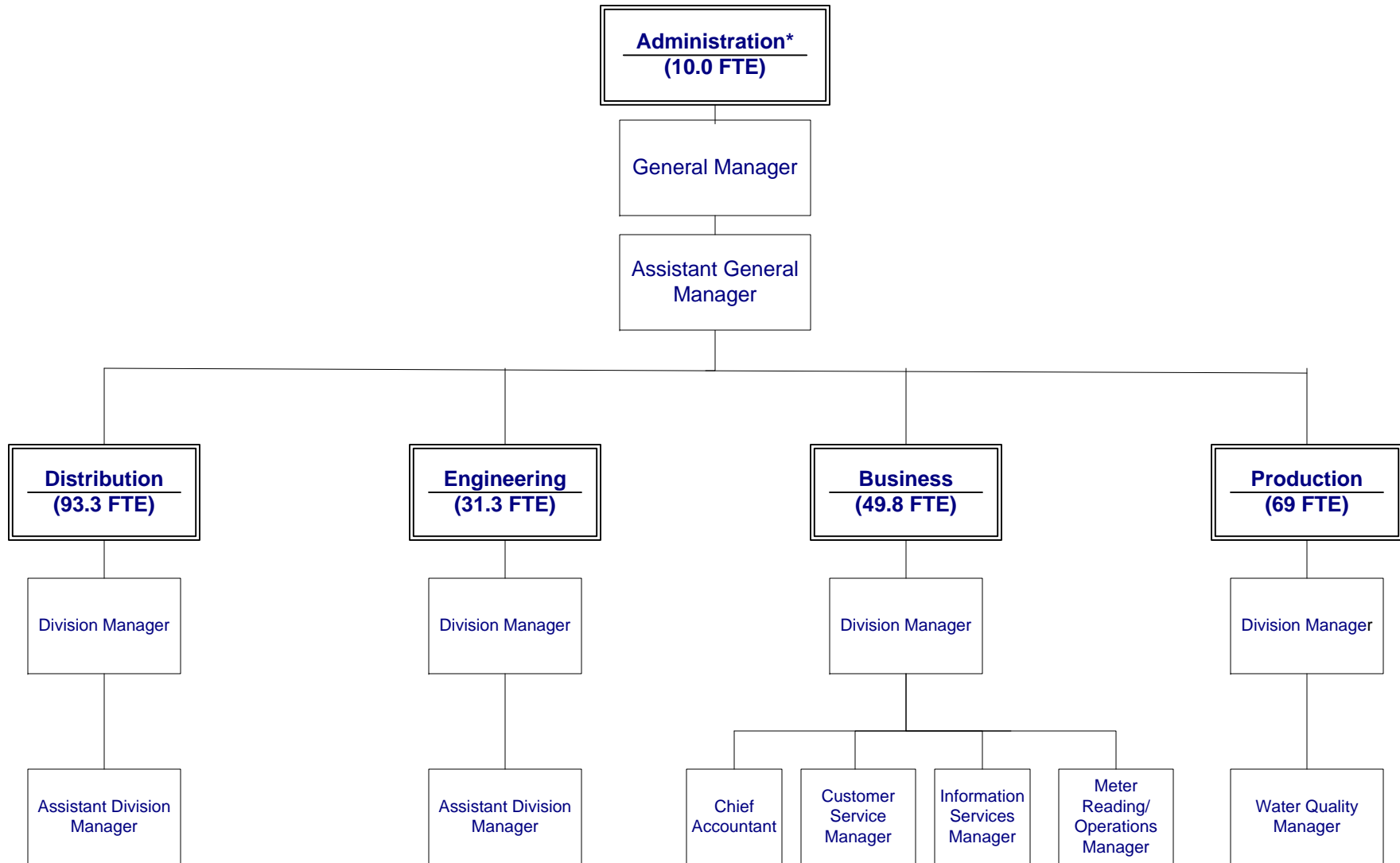
Service Area

SPRWS serves a population of approximately 415,000 people within a 113 square mile geographic area. There are 95,400 customer accounts in the service area, which includes Saint Paul and surrounding suburbs. Water service in the suburban communities of Falcon Heights, Lauderdale, West Saint Paul and Maplewood, is owned and operated by SPRWS; the utility also provides sanitary, storm sewer and special charge billing for these suburbs as specified in each municipality’s agreement with SPRWS. SPRWS has a retail contract to supply water and operate the Mendota Heights, Mendota and Lilydale water systems. In addition, the utility supplies water on a wholesale basis to Roseville (which in turn provides service to the City of Arden Hills) and Little Canada for an estimated additional 15,241 accounts. Roseville and Little Canada own, operate, and maintain their water distribution systems. In addition, we serve selected accounts in Newport, South Saint Paul and Sunfish Lake. In most cases, service has been furnished by the utility to each community since the community was organized and, in some instances, service was furnished to the residents of the area prior to the organization of the community. SPRWS has current long-term water service contracts with all suburban communities. In addition, the utility has contracts with the City of Oakdale and White Bear Township to provide maintenance on their distribution systems.

Organization

SPRWS is administered by the General Manager, Steve Schneider, and is organized into four functional divisions: Business, Distribution, Engineering and Production.

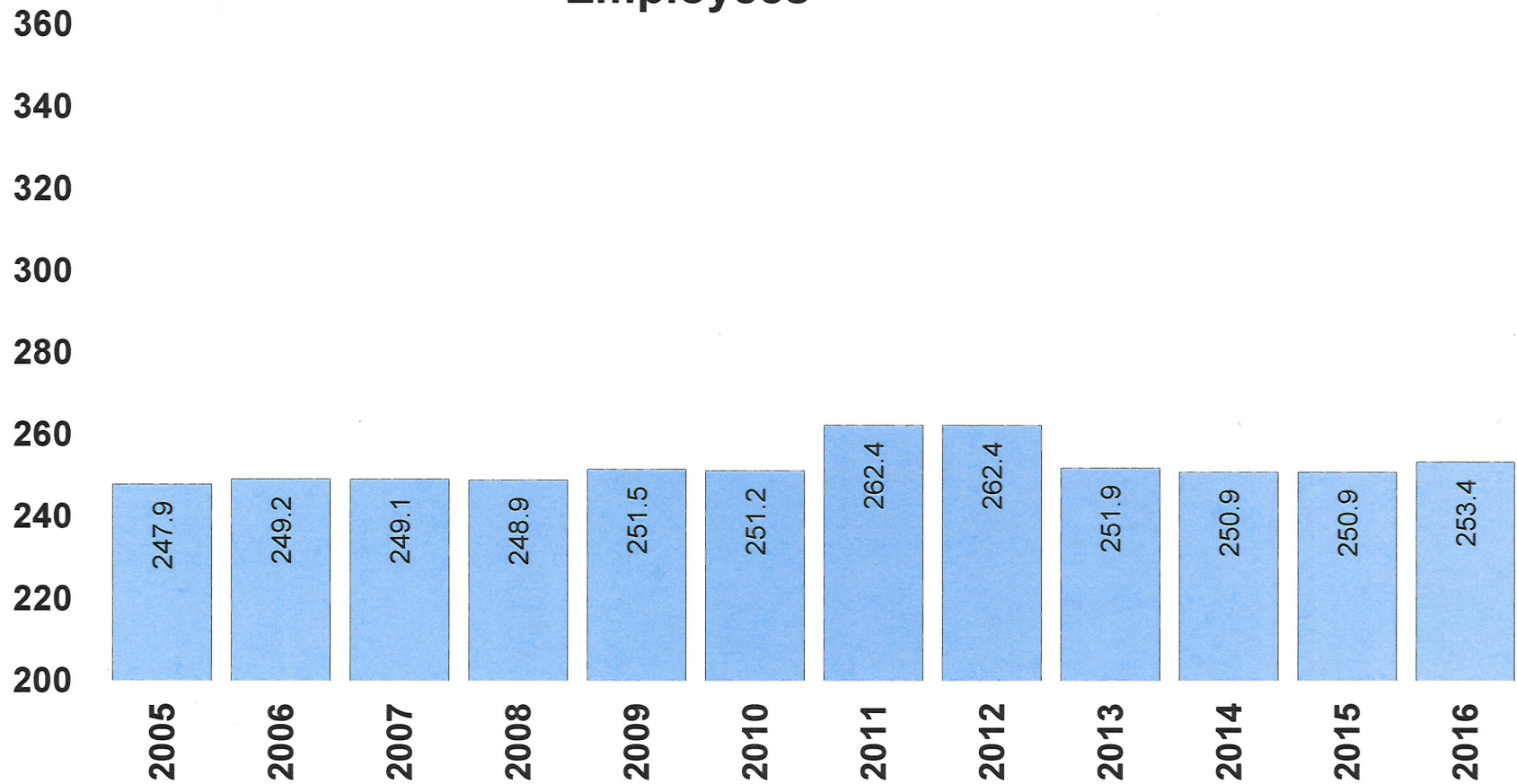
Saint Paul Regional Water Services



* Note: Administration includes:
General Manager, Assistant General
Manager, HR Liason, Safety, Security,
and, Business Improvement Section.

2016 Proposed Budget
(Total 253.4 FTE)

Saint Paul Regional Water Services Employees*



*budgeted full time equivalents

2011 & 2012 include 11.5 FTE for the Light Rail Project

Saint Paul Regional Water Services

Mission Statement

To provide reliable, quality water and services at a reasonable cost

Vision Statement

*To be a regional and national water industry leader
emphasizing quality product, services and cost containment.*

Statement of Values

*We commit to these values and expectations,
taking pride in what we do together and promoting
a positive image of Saint Paul Regional Water Services.*

Sense of Community

We . . .

- Show respect to other's differences, take time to learn about each other, and treat each person as a unique individual.
- Create and maintain a positive, inclusive, diverse workforce to better serve our customers.
- Approach our work and interactions in a way that promotes and supports our community.
- Communicate openly and honestly, acting in a respectful and tactful manner.

Commitment to Excellence

We . . .

- Have a shared vision of the future that gives us a clear sense of direction.
- Establish clear roles and responsibilities for all employees.
- Strive for excellence, continually improving and finding ways to be more effective and efficient.
- Keep our expertise current and willingly take on development opportunities.
- Demonstrate commitment and effort in the work that we do.

Sustainable Stewardship

We . . .

- Build trustworthy relationships, internally and externally, to achieve desired common goals.
- Protect and work to improve our water supply.
- Provide for a sustainable infrastructure ensuring reliability for future generations.
- Promote and enhance the use and respect of the environment by supporting environmental, social, and economic sustainability where possible.

Quality Customer Service

We . . .

- Put the customer first.
- Demonstrate our customer service standards of responsiveness, empathy, honesty, respectfulness, and reliability.
- Promise only what we can deliver and deliver what we promise.
- Create great customer interactions.
- Carry out our work in a professional manner.

Building for the Future

We . . .

- Promote innovation, change, and continuous improvement as we plan for the future.
- Commit to doing things effectively, making calculated decisions that result in organizational stability and desired change.
- Demonstrate adaptability and flexibility, adjusting to changing priorities and multiple demands within the organization and community.
- Exercise fiscal responsibility.

2013-2015 SPRWS Strategic Goals

Strategic Goal #1:

Continue to improve the quality of water delivered to our customers.

- Maintain Phase III Partnership for Safe Water status and pursue Phase IV status.
- Reach Phase III Partnership for Safe Water/ distribution system.
- Continue research relationships with Water Research Foundation and University of Minnesota.
- Continue to improve water quality efforts throughout the distribution system with an increased emphasis on our construction practices.
- Evaluate improvements to limit nitrification, including: tank mixing, chemical addition, stored water capacity and operations.
- Support other agencies' efforts to protect local and upper Mississippi River watersheds.
- Develop a long term master plan for water treatment processes.

Strategic Goal #2:

Emphasize excellent customer service

- Enhance customer service training utility-wide.
- Use a variety of measures to gauge customer satisfaction.
- Expand online services.
- Analyze and optimize construction restoration processes and practices.
- Implement a comprehensive customer complaint management system.
- Improve public information, education and outreach.
- Continue to implement additional functionality of the Infinity customer information system.
- Partner with other government entities to increase communication and transfer of data.

Strategic Goal #3:

Improve asset management

- Provide sufficient capital investments for infrastructure replacement at a level that ensures replacement by the end of an asset's useful life.
- Participate in emergency management planning with other levels of government.
- Optimize the use of technology.
- Perform preventative maintenance to ensure reliability of our assets.
- Implement computerized maintenance management system workflow planning improvements utility-wide.
- Develop a department-wide master plan for asset management.

Strategic Goal #4:

Operate an efficient utility

- Continue to market water to other communities.
- Continue to refine performance measures and utilize the information to make necessary improvements.
- Improve workflow business process and access to technology and increase emphasis in field computing.
- React to economic changes to ensure continued financial stability.
- Perform water audit to account for non-revenue water.
- Staff employees at appropriate levels to allow for flexibility and efficiency.
- Promote employee knowledge through cross training and shadowing to increase flexibility and efficiency.
- Incorporate industry standards to improve operation and practices.

Strategic Goal #5:

Invest in SPRWS employees

- Attract and retain a diverse workforce to create a workplace that respects and includes differences, recognizing the unique contributions that individuals with many types of differences can make, and creating a work environment that maximizes the potential of all employees.
- Provide appropriate resources to support training initiatives.
- Develop a plan for knowledge management.
- Develop an annual planning session to review changing skill set needs.
- Develop an inventory of current employee skill sets that may be utilized within the utility.
- Create a work environment that maximizes the potential of all employees.
- Value and acknowledge employee contributions to the success of the organization.

Strategic Goal #6:

Ensure a safe and secure working environment

- Continue development of safety program to meet the recommendations of the safety audit.
- Hold employees and management accountable for safety and security.
- Plan for possible disruptions due to pandemic or other events.
- Implement to the extent feasible the recommendations of current vulnerability assessment.
- Exercise our emergency response plan and continuity of operation plan annually.
- Optimize security program.
- Foster a workplace where employees are treated with dignity, fairness and respect, ensuring that all employees work in a place free of discriminatory practices, intimidation, harassment, and violence.

Budget Summary

- \$1 per month increase in the water service base fee for residential customers. All other fees and charges are unchanged
- \$71 Million overall budget including
 - \$42 Million in O&M
 - \$29 Million in Capital and Debt Service
- 2.5 increase in FTE's
- Average affect on residential customer is \$12 increase annually to \$322 (3.87%)



BOARD OF WATER COMMISSIONERS

President: Matt Anfang ♦ Vice President: Amy Brendmoen

Commissioners: Mara Humphrey ♦ David Meisinger ♦ Will Rossbach ♦ Russ Stark ♦ Chris Tolbert

July 14, 2015

Board of Water Commissioners

Dear Commissioners:

Re: 2016 Budget

OVERVIEW

The 2016 Saint Paul Regional Water Services (Regional Water) Budget as prepared includes all the anticipated expenses and necessary revenues for the year 2016. We believe the budget, as prepared, will provide the resources necessary for us to continue our history of providing our customers with reliable, quality water and services at a reasonable cost. This budget includes:

- \$71.3 Million in total revenue broken down as follows:
 - 62% (\$44.5 Million) from the Sale of Water
 - 13% (\$9.2 Million) from the Water Service Base Fee
 - 11% (\$7.6 Million) from Issuance of Debt
 - 4% (\$2.8 Million) from the Water Main Surcharge
 - 3% (\$1.9 Million) from the Right-of-Way Recovery Fee
 - 7% (\$5.3 Million) from Misc. Operating and Non-operating Revenues
- \$71.3 Million in total spending broken down as follows:
 - 59% (\$42.2 Million) in Operating Expenses
 - 22% (\$16.0 Million) in Revenue Funded Capital investments
 - 11% (\$7.6 Million) in Debt Funded Capital Investments
 - 8% (\$5.5 Million) in Debt Service and Miscellaneous Expenses
- Water Rate Adjustments to Meet Revenue and Spending Requirements
 - Consumption Based Rate Average - \$2.57 per 100 CCF (748 Gallons)
 - NO CHANGE
 - Water Service Base Fee - \$5.00 per month residential – increases with larger meter sizes
 - \$1.00 increase per month for residential
 - Water Main Surcharge - \$0.20 per 100 CCF consumption
 - NO CHANGE
 - Right-of-Way Recovery Fee – \$1.50 per month residential – increases with larger meter sizes
 - NO CHANGE

SAINT PAUL REGIONAL WATER SERVICES

Stephen P. Schneider, General Manager

1900 Rice St., Saint Paul, MN 55113-6810 ♦ TTY: 651-266-6299 ♦ 651-266-6350

Saint Paul Regional Water Services provides quality water services to the following cities:

Arden Hills • Falcon Heights • Lauderdale • Little Canada • Maplewood • Mendota • Mendota Heights • Roseville • Saint Paul • West St. Paul

AA-ADA-EEO Employer

Board of Water Commissioners

July 14, 2015

OVERVIEW (Continued)

With an average annual consumption of 88 units (65,824 gallons), the impact on an average family in the Regional Water service area is an increase of \$12.00 per year for a total cost of \$321.76 per year for the provision of drinking water and services. This represents an overall increase of 3.87% over 2015 water rates.

REVENUE**Sale of Water**

- There is no change in the projected volume of water to be sold in 2016. Our total consumption base remains at 1.790 billion cubic feet. This is approximately equal to the average consumption over the past five years.
- There is no change proposed in the consumption based rates. The rates per 100 cubic feet are as follows:

	<u>2015</u>	<u>2016</u>	
Winter rate	\$2.52	\$2.52	Ave. \$2.57
Summer rate	\$2.62	\$2.62	

Revenues based on the consumption based rate and the projected consumption for 2016 total \$44.5 Million.

Water Service Base Fee

- There is a \$1 per month increase proposed in the water service base fee. This base component will enable the utility to recover a portion of those fixed charges that are incurred annually. The fee is based on the size of the meter. The fee increases as the meter size increases to reflect the increased cost of providing peak volume capacity.

<u>Meter Size</u>	<u>Number of Meters</u>	<u>Water Service Base Fee (Monthly)</u>
5/8 & 3/4 Inch	80,367	\$5.00
1.0 Inch	8,756	\$12.50
1.5 Inch	2,414	\$25.00
2.0 Inch	1,345	\$40.00
3.0 Inch	344	\$80.00
4.0 Inch	227	\$125.00
6.0 Inch	65	\$250.00
8.0 Inch	22	\$400.00
10.0 Inch	4	\$575.00
	<hr/> 93,544	

Board of Water Commissioners

July 14, 2015

REVENUE (Continued)

Water service base fees for our wholesale customers are set by their respective contracts. Total revenues are projected at \$9.2 Million for 2016 or an overall increase of \$1.7 Million when compared to 2015.

Issuance of Debt

- We are proposing \$7.6 Million in debt issuance through either a bonding issue or from a State Revolving Fund in 2016.
- This year we will be focusing on replacing the electrical switchgear at the McCarron's water treatment plant and replacing the east terminal gate, as well as improvements to our pumping stations including repairing the Fridley pump station foundation. These improvements are outlined in our capital improvement plan.
- This total of \$7.6 Million of debt is an increase of \$5.4 Million over the 2015 budget.

Water Main Surcharge

- There is no change in the water main surcharge proposed for the 2016 budget. The water main surcharge is designed to fund additional water main replacement in the Regional Water service area. The rate is \$0.20/100 cu. ft. and will generate approximately \$2.8 Million. This surcharge only applies to the Cities of Saint Paul, Falcon Heights, Lauderdale, Maplewood, and West Saint Paul.

Right-of-Way Recovery Fee

- There is no change in the amount being billed for the right-of-way recovery fee proposed for the 2016 budget. The fee results in \$1.9 Million in revenue. This fee is only charged to Saint Paul residents and is for a payment to the City of Saint Paul for the extra costs they incur due to Regional Water's facilities being located in the public rights-of-way. This fee is structured in a similar manner to the water service base fee in that it varies by water meter size.

<u>Meter Size</u>	<u>ROW Recovery Charge</u>
5/8 & 3/4 Inch	\$1.50 Per Month
1.0 Inch	\$3.75 Per Month
1.5 Inch	\$7.58 Per Month
2.0 Inch	\$12.08 Per Month
3.0 Inch	\$24.17 Per Month
4.0 Inch	\$37.75 Per Month
6.0 Inch	\$75.50 Per Month
8.0 Inch	\$120.83 Per Month

Board of Water Commissioners

July 14, 2015

REVENUE (Continued)**Miscellaneous Operating and Non-Operating Revenues**

- The proposed 2016 budget has a total of \$5.3 Million in revenue for miscellaneous operating and non-operating income. This represents an increase of \$144,000 over the 2015 budget. The most notable changes here are an increase in antenna revenues for \$50,000. Other items in this revenue group include fees for plumbing inspections, other billing fees and interest earned on investments.

Summary of Revenues

- The following is a summary of revenues for the proposed 2016 budget and how they compare to the adopted 2015 budget:

	<u>2015</u>	<u>2016</u>
Water Sales	\$44.5 Million	\$44.5 Million
Water Service Base Fee	\$7.5 Million	\$9.2 Million
Issuance of Debt	\$2.2 Million	\$7.6 Million
Water Main Surcharge	\$2.8 Million	\$2.8 Million
Right-of-Way Recovery Fee	\$1.9 Million	\$1.9 Million
Miscellaneous Revenues	<u>\$5.2 Million</u>	<u>\$5.3 Million</u>
Totals	\$64.1 Million	\$71.3 Million

Impact of Rate Adjustments on an Average Residential Customer in Saint Paul

- If we assume an average annual consumption of 88 units (65,824 gallons), the impact on the average family is an increase of approximately \$12.00 per year for a total annual cost of \$321.76. This consists of the following:

	<u>2015</u>	<u>2016</u>	<u>Change</u>	
Water Service Base Fee	\$48.00	\$60.00	\$ 12.00	
Consumption Based	\$226.16	\$226.16	\$ 0.00	
Water Main Surcharge	\$17.60	\$17.60	\$ 0.00	
Right-of-Way Recovery Fee	\$18.00	\$18.00	\$ 0.00	
Total	<u>\$309.76</u>	<u>\$321.76</u>	<u>\$ 12.00</u>	<u>3.87%</u>

Board of Water Commissioners

July 14, 2015

EXPENSES**Operations and Maintenance**

- Operations and Maintenance (O&M) includes all expenses we incur to operate and maintain the water system. This includes labor, fringe benefits, materials, supplies and other services we purchase to perform the myriad of tasks involved in our daily business. The following is a summary of the main categories of our O&M budget:

	<u>2015</u>	<u>2016</u>	<u>Change</u>
· Salaries	\$13,609,000	\$14,385,000	\$776,000
· Fringes	\$7,093,000	\$7,377,000	\$284,000
· Services	\$11,958,000	\$11,455,000	(\$503,000)
· Supplies and Misc.	<u>\$8,499,000</u>	<u>\$8,968,000</u>	<u>\$469,000</u>
Total Operating Expenses	<u>\$41,159,000</u>	<u>\$42,185,000</u>	<u>\$1,026,000</u>

- Salaries
 - The 2016 proposed budget includes a total of 253.4 FTE's. This is an increase of 2.5 FTE's over the 2015 budget. Two are in the area of security and emergency management and the remaining one half is for additional engineering inspection for our increased capital investment program.
 - We are planning on a 2.0% increase in wages from labor contract negotiations. The remaining salary changes are for step increases in various areas. Fringe benefits are expected to increase as a result of various insurance and benefit increases.
 - The overall increase to operating and maintenance salaries and fringe benefits is \$1.1 Million or 5.1%.
- Services
 - The operating and maintenance budget includes all of the services we procure to allow us to provide water and services to our customers. These include everything from legal, finance and purchasing services from the City of Saint Paul to hauling services to dispose of our waste byproducts.
 - This portion of our budget totals \$11.9 Million in 2016. This is compared to \$12.1 Million in 2015 for a decrease of \$0.5 Million or 4.1%.
 - Highlights include a decrease in our overall fees paid to the City of Saint Paul of \$160,000, a decrease of \$419,000 in professional services, and an increase of \$50,000 in our lime hauling fees.

Board of Water Commissioners

July 14, 2015

EXPENSES (Continued)

- Materials and Supplies
 - The O&M budget also includes all the materials and supplies we need to provide our customers with great service. These can include water treatment chemicals, electricity, fuel, plumbing supplies, tires, office supplies and miscellaneous tools and small equipment.
 - The materials and supplies budget for 2016 is proposed to be \$8.9 Million. This is compared to \$8.5 Million in 2015 for a \$0.5 Million increase or 5.5%.
 - Three of the largest line items here are Chemicals, Electricity and Fuel.

	<u>2015</u> <u>Budget</u>	<u>2016</u> <u>Budget</u>	<u>Difference</u>	<u>%</u> <u>Change</u>
· Chemicals	\$3,646,000	\$3,816,000	\$170,000	4.7%
· Electricity	\$1,978,000	\$2,105,000	\$127,000	6.4%
· Fuel and Other Energy	\$853,000	\$861,000	\$8,000	0.9%
	<u>\$6,477,000</u>	<u>\$6,782,000</u>	<u>\$305,000</u>	<u>4.7%</u>

Revenue and Debt Funded Capital Investments

- Saint Paul Regional Water Services has a capital investment program that includes both revenue and debt funded projects. Earlier in 2015, the Board gave staff the approval to include a 10-year capital plan in our upcoming strategic plan update. The 2016 proposed budget includes the projects that were scheduled in the 10-year plan.
- The revenue funded capital for 2016 totals \$16.0 Million, which is an increase over 2015 of \$1.1 Million. Projects included in the revenue funded side are buried infrastructure replacement, water tower improvements, pump station improvements, and small capital and equipment for the utility.
- Debt funded capital for 2016 totals \$7.6 Million, which is in line with our 10-year capital plan and an increase of \$5.4 Million over 2015. The main projects included in the debt side are the replacement of the electrical switchgear at the McCarron's Treatment Plant and improvements to the McCarron's and Mississippi River Pumping Stations.

Debt Service and Miscellaneous Expenses

- On December 31, 2014, Regional Water had a total outstanding debt of approximately \$45.7 Million. Our debt service payments in 2016 of \$5.1 Million will decrease by a total of \$259,000 due to the structuring of our debt. Other miscellaneous expenses which include financing customers lead service replacements remain unchanged at \$400,000.

Board of Water Commissioners

July 14, 2015

EXPENSES (Continued)

Water Utility Fund Balance

- The Board maintains a fund balance that includes all the cash amounts we are legally required to maintain due to bond covenants, a reserve to cover tort and claim liabilities, to cover the expense of capital projects budgeted and approved in previous years and to provide rate stabilization during times of extreme variation in consumption.
 - Excess fund balance at the end of 2014 was \$1,512,000. The projected excess fund balance at the end of 2015 is \$343,000. With this budget as proposed, the projected excess at the end of 2016 will be \$65,000. A detail of the cash changes during these years is included in the attached appendix.

CLOSING STATEMENT

With this budget, we are holding the consumption based rates constant and are increasing the water service base fee by \$1 per month. Total water revenues including the water main surcharge and right-of-way recover fee are set to increase approximately 3.10%. An average residential customer will see an increase of 3.87%. The rates provided are necessary to fund operating and maintenance costs, the capital program and our debt service.

I recommend the Board recommend this budget for approval as presented. The utility continues to provide great water and services to our customers and continues to do so at a reasonable cost. We have been able to do so while continuing to increase our investment in our future through infrastructure replacement and making routine preventive maintenance a priority to ensure these assets last as long as possible. Regional Water has shown that we are effective at efficiently utilizing our available resources to provide these services yet are flexible enough to adjust our spending and programs when the estimated resources do not materialize. At all times, we act as responsible stewards of not only our natural resources but our financial resources as well.

I would like to extend my appreciation for the continued support shown by the Board for the operation of Saint Paul Regional Water Services. We continue to update and improve the way we do business and will always be looking for ways to move our organization forward. Regional Water's employees continue to show their dedication and attention to detail each day. We are recognized as leaders in our industry and could not do so without your support. Thank you.

Sincerely,



Stephen P. Schneider
General Manager

APPENDIX

EXCESS OPERATING CASH:

The analysis of excess operating cash for the years 2014 through 2016 is as follows:

Beginning Balance 12/31/2013		\$4,315,000
Operating Revenue Below Budget	(\$2,982,000)	
Non-Operating Revenue Below Budget	(\$26,000)	
Investment Interest Revenue Below Budget	(\$219,000)	
Operating Expenses Under Budget	\$671,000	
Net Change in Accts Rec/Accts Pay, etc.	\$144,000	
Homeowner Lead Replacement Program	\$203,000	
Change in Minimum Cash Required	\$219,000	
Capital Project Changes	\$1,939,000	
Land Purchase	(\$2,650,000)	
Change in Bond Reserve	(\$102,000)	
Net Change		<u>(\$2,803,000)</u>
Ending Balance 12/31/2014		<u>\$1,512,000</u>

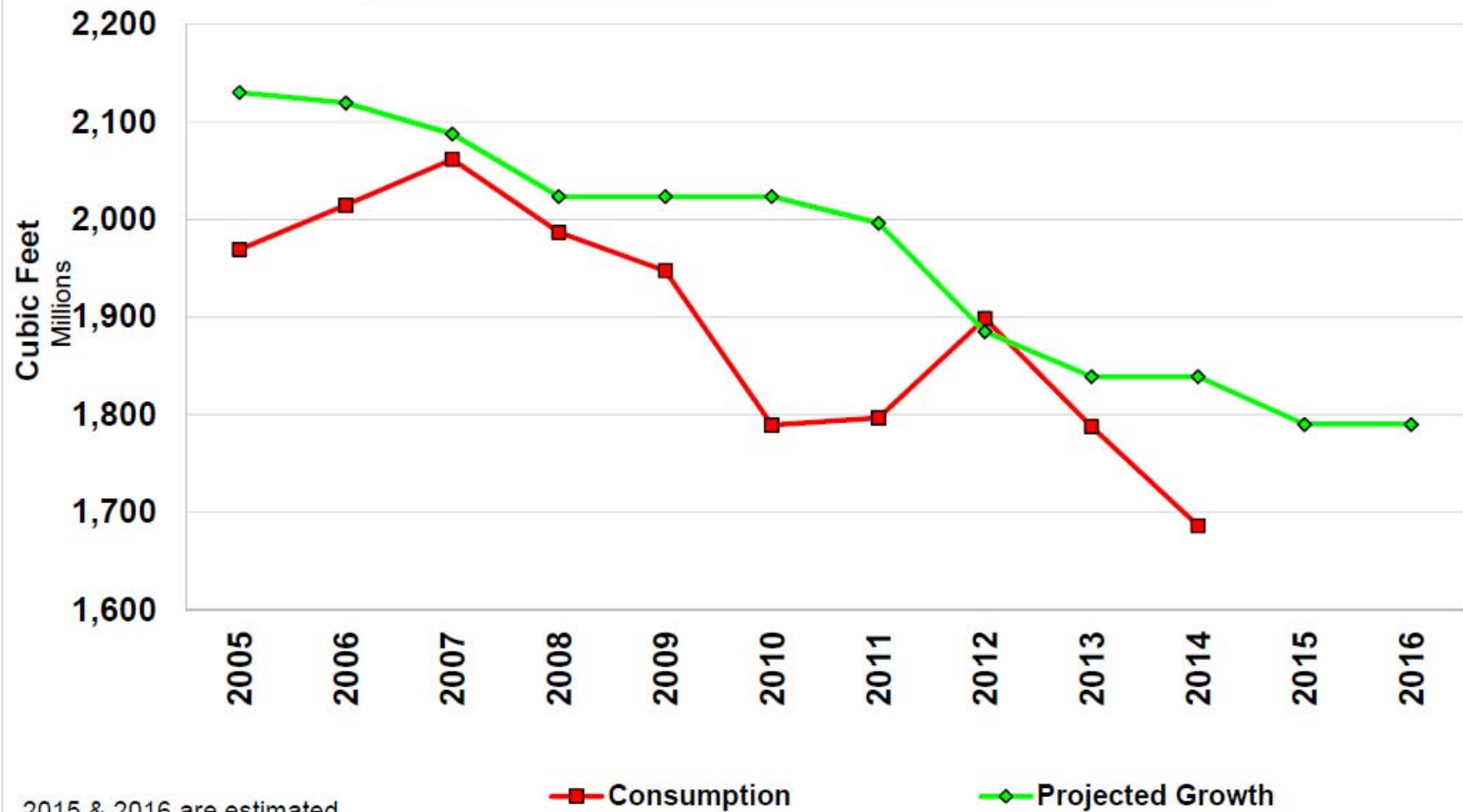
The 2015 expected excess operating cash changes are as follows:

Beginning Balance 12/31/2014		\$1,512,000
Change in Minimum Cash Required	(\$1,160,000)	
Excess Expenditures over Financing	(\$9,000)	
Net Change		<u>(\$1,169,000)</u>
Ending Balance 12/31/2015		<u>\$343,000</u>

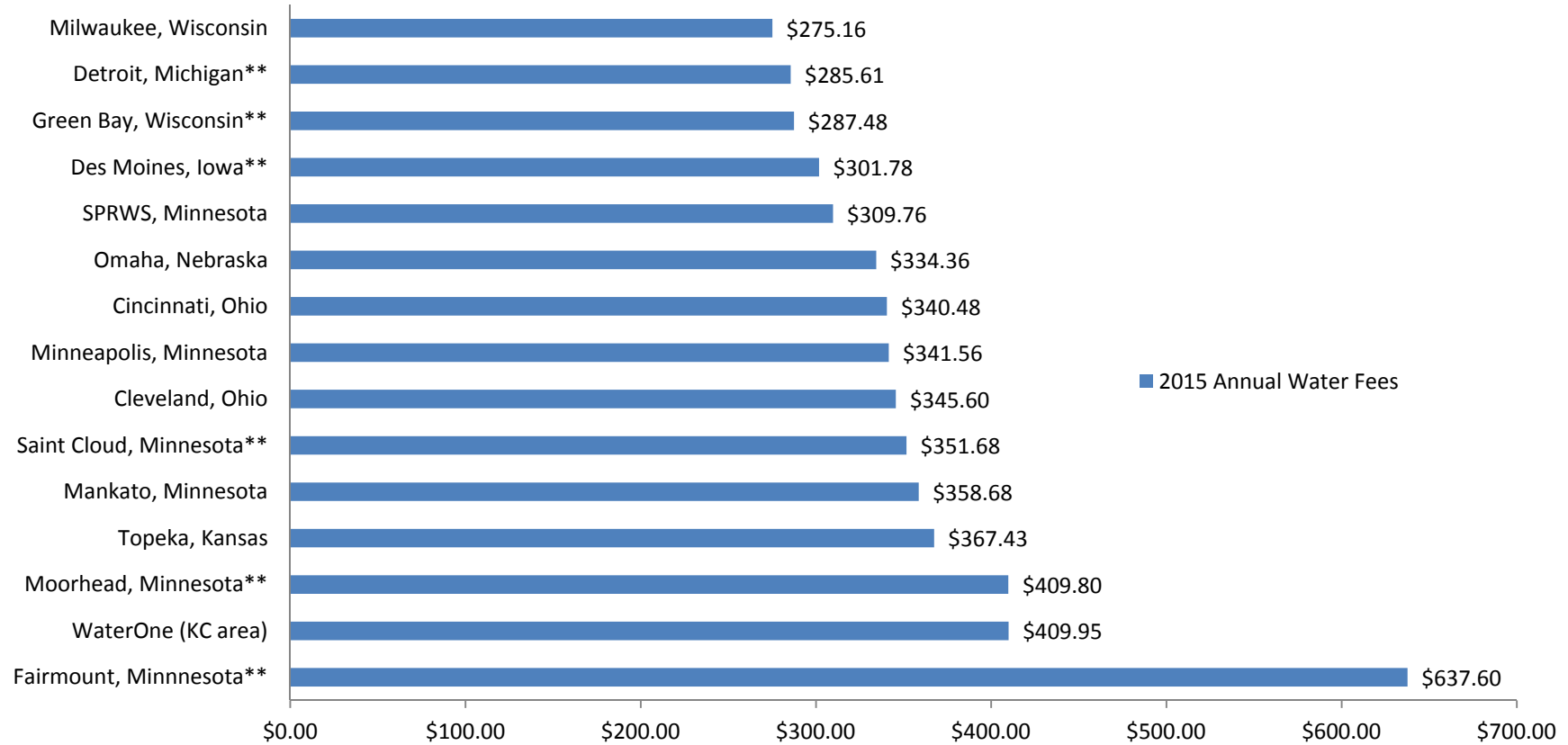
The 2016 expected excess operating cash changes are as follows:

Beginning Balance 12/31/2015		\$343,000
Change in Minimum Cash Required	(\$232,000)	
Excess Expenditures over Financing	(\$46,000)	
Net Change		<u>(\$278,000)</u>
Ending Balance 12/31/2016		<u>\$65,000</u>

Saint Paul Regional Water Services Actual vs. Projected Consumption



2015 Water Rates - 88000 CF Annual Usage



SAINT PAUL REGIONAL WATER SERVICES
10 YEAR CAPITAL PLAN

	2015 Adopted Budget	2016 Proposed Budget	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan	2024 Plan	2025 Plan	Total (2016-2025)
PROJECTS - Revenue Funded												
All numbers in 1000's												
BUSINESS												
Water Meters	\$50	\$50	\$85	\$90	\$95	\$97	\$97	\$100	\$102	\$105	\$107	
Technology	\$205	\$200	\$215	\$215	\$215	\$220	\$220	\$226	\$232	\$237	\$243	
Total - Business	\$255	\$250	\$300	\$305	\$310	\$317	\$317	\$326	\$334	\$342	\$350	\$3,151
DISTRIBUTION												
Mains	\$5,200	\$5,500	\$5,750	\$6,000	\$6,150	\$6,300	\$6,300	\$6,300	\$6,300	\$6,400	\$6,500	
Mains-Surcharge	\$2,800	\$2,800	\$4,200	\$5,600	\$7,000	\$8,400	\$8,400	\$8,400	\$8,400	\$8,400	\$8,400	
Water Service Connections	\$2,400	\$2,400	\$2,460	\$2,522	\$2,585	\$2,649	\$2,649	\$2,715	\$2,783	\$2,853	\$2,924	
Hydrants	\$725	\$750	\$769	\$788	\$808	\$828	\$828	\$848	\$870	\$892	\$915	
Valves	\$0	\$250	\$256	\$263	\$269	\$276	\$283	\$290	\$297	\$305	\$312	
Total - Distribution	\$11,125	\$11,700	\$13,179	\$15,173	\$16,812	\$18,453	\$18,460	\$18,553	\$18,650	\$18,850	\$19,051	\$168,881
PRODUCTION												
Supply and Grounds	\$110	\$0	\$150	\$200	\$200	\$205	\$205	\$210	\$215	\$220	\$225	
Security Related	\$30	\$300	\$150	\$200	\$200	\$205	\$205	\$210	\$215	\$220	\$225	
Tanks & Reservoirs	\$1,750	\$1,000	\$500	\$735	\$450	\$0	\$0	\$1,000	\$1,000	\$1,000	\$1,000	
Pump Stations	\$50	\$0	\$600	\$650	\$650	\$666	\$666	\$683	\$700	\$717	\$735	
Treatment Process Improvements	\$260	\$1,330	\$600	\$650	\$650	\$666	\$666	\$683	\$700	\$717	\$735	
Total - Production	\$2,200	\$2,630	\$2,000	\$2,435	\$2,150	\$1,742	\$1,742	\$2,786	\$2,830	\$2,874	\$2,920	\$24,109
EQUIPMENT/SMALL CAP. IMPROVEMENTS												
Business	\$75	\$193	\$201	\$208	\$208	\$213	\$213	\$218	\$224	\$230	\$236	
Distribution	\$705	\$650	\$680	\$680	\$680	\$700	\$700	\$700	\$718	\$725	\$745	
Engineering	\$55	\$103	\$100	\$100	\$100	\$103	\$103	\$106	\$108	\$110	\$115	
Production	\$450	\$479	\$450	\$500	\$500	\$500	\$500	\$500	\$513	\$525	\$538	
Total Equipment/Small Cap. Improvements	\$1,285	\$1,424	\$1,431	\$1,488	\$1,488	\$1,516	\$1,516	\$1,524	\$1,563	\$1,590	\$1,634	\$15,174
Total Revenue Funded Projects	\$14,865	\$16,004	\$16,910	\$19,401	\$20,760	\$22,028	\$22,035	\$23,189	\$23,377	\$23,656	\$23,955	\$211,315

SAINT PAUL REGIONAL WATER SERVICES
10 YEAR CAPITAL PLAN

	2015 Adopted Budget	2016 Proposed Budget	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan	2024 Plan	2025 Plan	Total (2016-2025)
PROJECTS - Bonds & Other Funding Sources												
<i>All numbers in 1000's</i>												
Chemical System and Storage Improvements	\$2,225											
Raw Water Conduit Rehab			\$2,000		tbd	tbd	tbd					
Switchgear Replacement		\$5,000										
East Terminal Gate Replacement		\$100										
McCarrons Pump Station Improvements		\$2,200										
Fridley Pump Station Foundation Imp		\$275										
Sludge Press				\$2,200								
Low Service Reservoir								\$15,700				
McCarron's Yard Piping Impr												\$4,600
Finished Water Reservoir Rehab									\$3,600			
Booster Pump Replacement											\$1,000	
High and Low Service Pump Replacement											\$5,000	
Filter Valve Replacement											\$1,000	
Treatment Process Construction*				\$35,100		\$38,700						
Total Bond & Other Funding Sources	\$2,225	\$7,575	\$2,000	\$37,300	\$0	\$38,700	\$0	\$15,700	\$3,600	\$7,000	\$4,600	\$116,475
SRF or Revenue Bonds	\$2,225	\$7,575	\$2,000	\$37,300		\$38,700		\$15,700	\$3,600	\$7,000	\$4,600	\$116,475
Cash												
Total Potential Projects	\$17,090	\$23,579	\$18,910	\$56,701	\$20,760	\$60,728	\$22,035	\$38,889	\$26,977	\$30,656	\$28,555	\$327,790

*Includes softening, recarb, ozone, CO2

McCarrons Foundation Improvements \$ amount NOT shown above cost TBD

Saint Paul Regional Water Services
Year End Cash Balances and Restrictions

Year End Cash Balance	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Cash	14,315,006	13,043,375	10,713,482	10,463,931	10,418,341
Department Cash	552,611	228,770	198,662	372,559	372,559
Imprest Funds	7,000	7,000	7,000	7,000	7,000
Investments	6,298,505	6,520,080	6,520,080	6,520,080	6,520,080
Restricted for Revenue Bond Current	3,518,110	3,428,600	2,827,150	2,827,150	2,827,150
Restricted for Revenue Notes Current	1,549,689	1,495,766	2,088,207	2,088,207	2,088,207
Restricted for Revenue Bond Future	5,103,351	4,924,366	4,915,357	4,915,357	4,915,357
Restricted for Revenue Bond Operations (15 days)	1,600,846	1,611,689	1,731,626	1,731,626	1,731,626
	32,945,117	31,259,645	29,001,563	28,925,910	28,880,320
Restricted for Debt	11,771,995	11,460,420	11,562,339	11,562,340	11,562,340
Imprest Funds	7,000	7,000	7,000	7,000	7,000
Self Insurance - Risk Reserve	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
30 Days Cash Revenue	4,808,259	4,852,783	4,633,560	5,733,787	5,926,246
15% Wet/Dry Year Deviation	1,261,366	1,269,671	1,254,778	1,428,812	1,463,681
Reserved for Land Purchase	3,000,000	3,000,000			
Open Capital Projects/Retention Payable	8,746,118	7,350,759	8,027,299	7,837,299	7,807,299
Use of Cash Budget				8,737	45,590
Unreserved	1,350,379	1,319,012	1,516,587	347,935	68,164
	32,945,117	31,259,645	29,001,563	28,925,910	28,880,320

FINANCIAL SUMMARY FOR 2016 CITY COUNCIL BUDGET COMMITTEE PRESENTATION

Fund Name: St. Paul Regional Water Services

	2014 <u>Actual</u>	2015 <u>Adopted Budget</u>	2015 <u>Year-to-Date</u>	2016 <u>Proposed Budget</u>
Expenditures:				
Employee Expense	19,031,406	20,702,042	15,867,218	21,762,309
Services	8,241,329	11,957,899	1,685,623	11,454,598
Materials and Supplies	8,207,960	8,244,751	5,263,846	8,701,165
Miscellaneous	49,975	254,330	56,450	267,200
Capital Outlay	14,367,264	17,089,700	3,880,881	23,579,100
Debt Service	885,627	5,376,282	642,104	5,117,156
Lead Loan - Assessment	128,419	400,000	82,791	400,000
Total Expenditures	50,911,980	64,025,004	27,478,913	71,281,528
Financing				
(list all non-property tax revenue sources):				
Water Charge for Service (Base Fee, Water Main Surcharge, Consumption)	44,531,770	54,741,707	32,477,143	56,494,278
Other Fees for Service	2,265,375	1,599,700	1,055,643	1,608,700
ROW Cost Recovery Fee	1,875,000	1,875,000	1,274,821	1,875,000
Lead Loan - Assessment Repaymer	303,429	400,000	-	400,000
Debt Issuance/PFA Reimbursement	1,614,222	2,225,000	490,442	7,585,000
Interest on Investments	390,078	300,000	212,785	300,000
Contributions	465,878	690,000	586,093	690,000
Antenna Revenue	869,106	775,000	760,391	825,000
Billing Fees	1,174,128	1,150,000	605,184	1,150,000
Misc.	214,905	268,597	87,406	353,550
Total Financing	53,703,891	64,025,004	37,549,908	71,281,528