

Operating Revenues & Expenses - Utility Fund

	<u>FY 15 Budget</u>	<u>FY 15 Actual ¹</u> <u>(Adjusted ²)</u>
Water		
Meter Sales	1,884,037	1,810,140 ²
Other Revenue	40,435	57,591
Hydrant Transfer	174,101	174,101
<u>Water Fund - Total Revenue</u>	<u>2,098,573</u>	<u>2,041,832</u>
Salaries, Wages & Benefits	873,626	892,508
Non-Personnel	1,024,632	965,104
<u>Water Fund - Total Expenses</u>	<u>1,898,258</u>	<u>1,857,611</u>
<u>Revenues over Expenses</u>	<u>200,315</u>	<u>184,221</u>
Sewer		
Meter Sales	1,684,012	1,591,912
Other Revenue	11,500	26,682
<u>Water Fund - Total Revenue</u>	<u>1,695,512</u>	<u>1,618,595</u>
Salaries, Wages & Benefits	719,056	699,470
Non-Personnel	785,606	840,006 ²
<u>Water Fund - Total Expenses</u>	<u>1,504,662</u>	<u>1,539,476</u>
<u>Revenues over Expenses</u>	<u>190,850</u>	<u>79,118</u>
<u>Utility Fund Total (Operating Only)</u>	<u>391,165</u> ³	<u>263,339</u> ⁴

¹ Unaudited (Independent Audit will be finalized at the end of June, 2016)

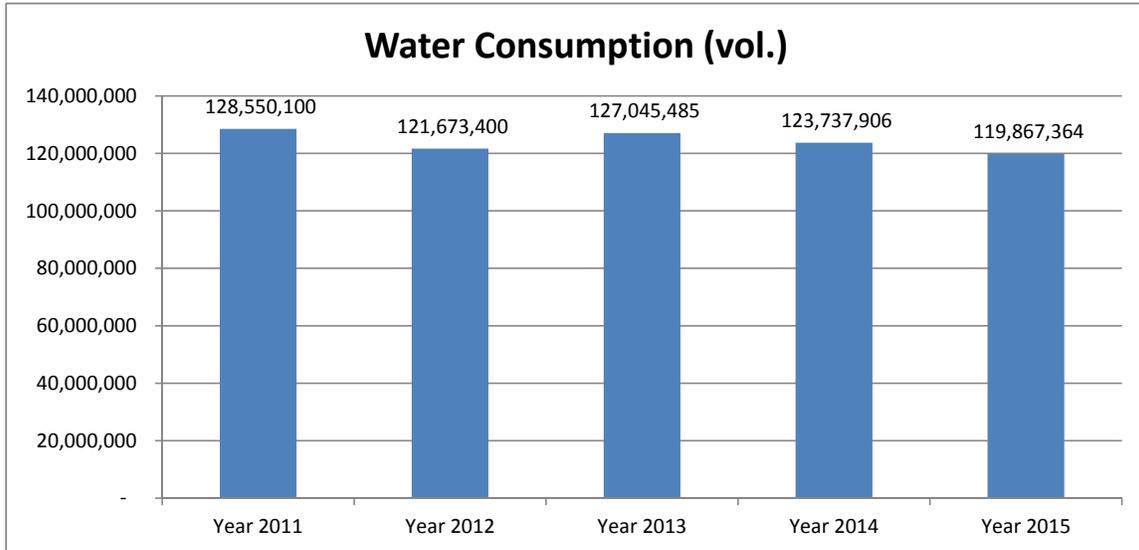
² Adjustment due to Changes made in Sewer Treatment Plant

³ 'Budget Surplus' Target (ref. 2015 Budget pages 13, 114, & 117)

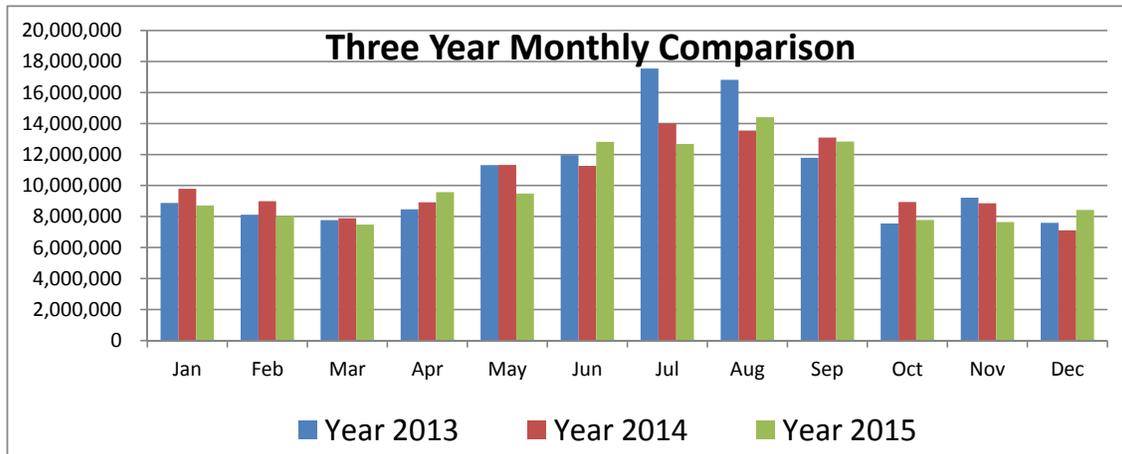
⁴ 'Budget Surplus' Actual

Water Consumption

By Year	<u>Year 2011</u>	<u>Year 2012</u>	<u>Year 2013</u>	<u>Year 2014</u>	<u>Year 2015</u>
Water (vol.)	128,550,100	121,673,400	127,045,485	125,926,274	132,291,300
Operational Adj.			0	(2,188,368)	(12,423,936)
Water (vol.) after adj.	128,550,100	121,673,400	127,045,485	123,737,906	119,867,364



<u>Month\Year</u>	<u>Year 2013</u>	<u>Year 2014</u>	<u>Year 2015</u>
Jan	8,880,000	9,791,300	8,707,532
Feb	8,114,400	8,993,800	8,031,896
Mar	7,770,300	7,890,301	7,482,160
Apr	8,469,500	8,915,106	9,578,452
May	11,317,600	11,328,902	9,481,952
Jun	11,966,285	11,264,103	12,815,584
Jul	17,546,000	14,007,700	12,686,496
Aug	16,819,000	13,544,818	14,402,524
Sep	11,790,700	13,092,528	12,833,256
Oct	7,555,200	8,940,335	7,773,632
Nov	9,218,800	8,854,336	7,649,316
Dec	7,597,700	7,114,677	8,424,564
	<u>127,045,485</u>	<u>123,737,906</u>	<u>119,867,364</u>
		-2.6%	-3.1%



City of Homer

sewer revenues are project to decrease (compared to last year's budget) by \$230,629 or -12.0 %. The good news is that although we predict a slight decrease in water and sewer revenues overall compared to last year's budget, revenues appear to be stable, they are up over last year, and we are getting more experience with how the new rate model is working.

The most significant and positive changes are on the expenditure side. Operating expenses for water decrease by -3.5% to \$1,979,379 in this budget. Operating expenses for sewer decrease by -10.3% to \$1,574,471. The budget includes the minimum required contribution of \$200,000 to depreciation; \$100,000 for water and \$100,000 for sewer. There is a surplus of revenues over expenditures of \$391,167. This is something we have not seen for many years. This surplus could be transferred into depreciation and fleet accounts which I would recommend. Council may hear calls to reduce rates because of this but we would recommend keeping the fees the same for now given the relative newness of the rate structure and continued uncertainties regarding future revenue fluctuations.

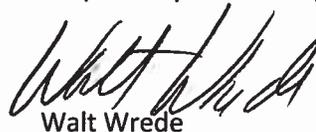
There are a number of reasons for the reduction in expenditures. First of all, the Superintendent has been very frugal and should be commended. You will see many cuts to budget line items as you work your way through the budget. In addition to this, there are three additional factors that are very important. As noted earlier, labor costs have been reallocated between Water and Sewer and the Public Works Department which has resulted in reduced labor costs of approximately \$140,000. The recommended change in health insurance would result in fringe benefit cost savings of about \$65,000. Finally, budget changes and the new overhead allocation formula have resulted in a decrease in payments to the General Fund well in excess of \$100,000. This is all very positive news and makes for a much healthier profile for the Water and Sewer Special Revenue Fund.

The adopted budget contains a number of capital expenditures which will come out of depreciation and fleet reserve accounts. These expenditures include a mid-sized pick-up truck, sandblasting and painting fire hydrants, raw water pump replacements, paving at the water treatment plant, rehabilitation of clarifier skimmers, and lift station safety hatches.

Policy Considerations

- **Increasing Customers:** This has been discussed many times before. One of the fundamental flaws that needs to be addressed is that we have an expensive and expansive treatment, collection and distribution infrastructure and very few customers to pay for maintenance and operations. There are many ideas for increasing the customer base from increasing density, to expanding the system to the rest of the city, to identifying new buyers for bulk water. All of these ideas should be explored further.

Respectfully Submitted,



Walt Wrede

City Manager

Budget Message