

FOR BOARD ACTION

Agenda Item # 5

Meeting Date:

11/30/04

SUBJECT: Preliminary 2005 Electric and Water Budgets

PREPARED BY: Curt Kraft, Director of Corporate Services

ITEM DESCRIPTION:

Provided under separate cover is a copy of the preliminary report of the 2005 Electric and Water capital and operating budgets. This year a separate presentation of these budgets will be given to the Boards finance committee as well to the Board as a whole. The budgets will be brought back to the Board in December for final approval.

The budgets are based on electric and water sales forecasts, major maintenance, operating expenses and capital needs in each utility. The budgets continue to reflect expected strong growth in the community.

As in the past, the largest expenditure in the electric budget is the wholesale power purchased from SMMPA. The budget reflects no change in the wholesale power rates for 2005. The preliminary budget reflects a revenue adjustment of 2% that would occur in January 2005.

In the water utility, a 5% increase is being proposed effective January 2005. This increase is needed because of necessary infrastructure additions to serve the city along with the impact of utility rerouting for the highway 52 and 63 projects.

Some of the major items of interest in the budget –

- 850 new residential electric service installations are planned for 2005
- Over \$4M will be spent on RPU's portion of the steam project
- Purchase of two diesel generators for \$ 1.5M
- Borrowing of \$5M to fund infrastructure improvements
- Proposed addition of 5 full time employees in the Electric utility
- Option on land for new gas turbine site
- Health insurance expense was increased by 30% for 2005. An impact of \$350K for Electric and \$50K for the Water Utility.

UTILITY BOARD ACTION REQUESTED:

No action required discussion item only.


General Manager

11-23-04
Date