

FOR BOARD ACTION

Agenda Item # 8

Meeting Date:

11/29/05

SUBJECT: Preliminary 2006 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 2006 Electric and Water capital and operating budgets. A separate presentation of these budgets was given to the Board's finance committee in October. Staff will be reviewing the budgets with the full Board today and bringing them 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 reflect the continued 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 a 5% increase in the wholesale power rates for 2006. The preliminary budget reflects a revenue adjustment of 5% that would occur in January 2006.

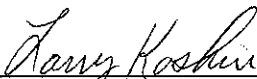
In the water utility, a 5% increase is being proposed, also effective January 2006. This increase is needed because of necessary infrastructure additions to serve the city, along with the impact on reserves due to the cost of rerouting infrastructure for the highway 52 and 63 projects.

Some of the major items of interest in the budget –

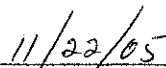
- 1,000 new residential electric and water service installations are planned for 2006
- Overhaul of Unit # 4 Turbine at SLP \$ 500K
- Site acquisition for new Gas Turbine.
- Purchase Power cost increase of \$ 3M
- Borrowing of \$ 1.5M to fund Water info structure improvements.
- Proposed addition of 5 full time employees.
- Replacement of existing Customer software \$ 800K

UTILITY BOARD ACTION REQUESTED:

No action required discussion item only.



General Manager



Date