



Algona Municipal Utilities Trustees 2018 Budget Amendment and 2019 Budget Explanation

The Algona Municipal Utilities Board of Trustees conducted a public hearing and approved an amendment to the 2018 AMU Operating Budget and approved the 2019 Operating Budget.

The 2018 Budget was amended because total expenditures may exceed the 2018 Budgeted Total Expenditures by approximately \$450,000. The Amendment is based on projections for the 2018 Budget based on actual numbers for the first 9 months of 2018. This increase over the budgeted number is primarily due to higher than anticipated purchased power costs for the Electric Utility and the purchase of property for the Water Utility. As a result, AMU will utilize reserve funds established for situations like these unexpected costs. According to John Bilsten, AMU General Manager, “we will not know if 2018 expenditures will exceed the 2018 Budget until we complete the end of year financial statements. However, if we think that expenditures may exceed budgeted numbers, state law requires AMU to amend the budget before December.”

The 2019 Budget includes Total Revenues and Financing of \$24,033,00 and Total Expenditures of \$25,559,700. The proposed 2019 Budget results in an ending fund balance of \$25,104,555 at the end of 2019. The ending fund balance is the net position of the utility. Based on recent Cost of Service studies, Power Supply projections, Transmission Planning, Water System studies, and cable TV programming costs along with scheduled maintenance programs and commitments to upcoming community projects, the 2019 budget includes some revenue adjustments that may affect consumer rates. Any proposed rate adjustments will be presented to the AMU Board of Trustees after the completion of cost of service studies for both the electric and water utilities by independent consultants. With financial stability as a very important criteria for AMU, any limited increases to rates will only be considered to ensure costs are recovered and financial targets are reasonably achieved.

“Because AMU is not for profit, all income generated from consumers and outside revenue streams is reinvested into infrastructure and operations, as well as capital improvement projects that not only provide for community betterment now, but also serve to hold down future maintenance and emergency recovery costs,” said Bilsten.

The 2019 Budget includes a comprehensive plan to provide major infrastructure projects and new innovative services for the Algona area in the coming year while ensuring AMU’s industry-leading reliability and low cost of service utility rates.

The 2019 budget includes these major projects:

- **Neal 4 Power Plant Improvements** – Algona Municipal Utilities owns 2.937% of the Neal 4 coal fired power plant south of Sioux City, Iowa. This plant is the main source of power for Algona. Each year, the plant requires various equipment upgrades and improvements along with cost for environmental compliance projects at the plant. In 2019, AMU’s share of the capital expenditures is projected at approximately \$550,000.
- **West Electric Substation Oil Circuit Breaker Replacement** – AMU accepted a bid from Harold K. Scholz Company to remove four (4) existing 69 kV oil-filled circuit breakers and install four (4) new 69 kV gas-filled circuit breakers. The 69 kV circuit breakers are an automatically operated electrical switch designed to protect the AMU electric transmission system from damage caused by excess current from an overload or short circuit caused by high winds, tree’s or other items that contact the electric transmission system. The new breakers will replace the original breakers installed when the west substation was built in the 1970’s. As the original oil filled circuit breakers age, they have a reduced response time leading to the potential for more electric outages to our consumer-owners. The new breakers will assure a high level of reliability for AMU electric customers.
- **AMU Power Plant Improvements** – The Power Plant staff will replace a large tank in the power plant basement that is part of the water treatment system for two Caterpillar Diesel Generators. The tank has been repaired several times and these low-cost repairs will give way to replacement of the tank.

- **Electric Distribution System Improvements** – The Electric Utility has several projects planned for 2019 that will provide important improvements to the electric distribution system. The goal of these projects is to replace infrastructure that has reached the end of its useful life with a more robust electric distribution system that will insure high reliability. The projects include the following areas:
 - Replacement of poles and conductor for single phase rural lines north of Oak Lake along Plum Creek Road approximately 2.5 miles.
 - Convert overhead electric to underground in an area east of Clark Street north and then along the Algona walking trail to Finn Drive.
 - Convert overhead electric to underground near the Burr Oak Motel and the former trailer court property south of Algona.
 - Convert overhead to underground along Diagonal Street from Elm Street to Commercial Street and along Roan Street from Diagonal Street to Oak Street.
 - Installation of new electric underground at the Eastland Heights housing development area in the east part of Algona.

- **Communications Distribution System Improvement** – Each year, improvements are made to the existing Hybrid Fiber Coax (HFC) system by converting sections of Algona to a full Fiber to the Home (FTTH) system. In 2019, Algona Municipal Utilities will again upgrade a small portion of our system to provide customers with more fiber connectivity.

- **Dynamic TV** – The Communications Utility will have capital expenditures of approximately \$800,000 for customer premise equipment upgrades for modems and set top boxes to allow for the conversion of the cable TV system to Dynamic TV through the AMU Internet system, and will begin converting telephone customers to Voice over Internet Protocol (VoIP).

- **Well Field Development Land** – In order to continue to meet the community’s water needs, the Water Utility is investing in new property located just west of our existing well field. The new property will eventually be used for new wells to meet Algona’s water supply needs, along with other projects to help the utility provide high quality water when required by AMU consumer owners. The land is being purchased over 6 years (2018 – 2023) to ease the impact on the Water Utility cash flow and water rates.

- **Water Main Replacement – Main Street from Spruce to Hwy. 18** – The Water Utility will be replacing approximately 2,200 feet of 4-inch cast iron water main with 12-inch ductile iron and PVC pipe along main street from Spruce Street to Hwy. 18. The replacement is necessary because of the age of the existing water main, the size of the water main, and a large number of water main breaks on this water main. The new water main will also be looped to the existing 12-inch PVC water main along Hwy. 18. The new 12-inch water main will significantly increase fire flows along Main Street and other areas of the system in the east part of Algona because of the new Hwy. 18 loop of this water main. The first section of this water main was replaced in 2018 including the abandonment of a section of water main from Commercial to Spruce Street that does not serve any water customers and is very hard to repair and replace due to the railroad. The water main system is already looped in this area, eliminating the need to replace this small section of water main.
- **New Water Main along Finn Drive** – The Water Utility is investigating the potential installation of approximately 1,000 feet of 12-inch PVC water main from Poplar Street north to Maple Street along Finn Drive. This new main will provide an important loop within the water distribution system in this area of Algona, significantly increasing fire flows in this area. This improvement will also help increase necessary fire flows for the Snap-On Tools plant. As a result, Snap-On Tools will participate in some of the cost of this water main installation project.

Algona Municipal Utilities
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