

THE CITY OF PRINCE ALBERT



WATER UTILITY FUND BUDGET FOR YEAR ENDING DECEMBER 31, 2018

TABLE OF CONTENTS

December 31, 2018 Consolidated Budget Document

Water Utility Fund Budget Overview	Page 3
Water Utility Fund Operating Budget	Page 6
Water Utility Fund Capital and Fund Projections	Page 10

Budget Overview



The Water and Sewer Utility Fund is designed as a self-sustaining entity with the intent to operate the water and waste water systems independent of the City's tax base. It is maintained via utility rates and fees that provide the funding resources for the operating and capital costs associated with providing safe potable drinking water and for treating the effluent generated by the community.

Administration continually reviews and monitors this Fund's revenue sources. Water and Sewer Utility Rates and Fees Bylaw 5 of 2017 is the most recent bylaw that set the Utility rates and fees currently in place.

As part of the 2018 budgeting process, Administration is recommending an amendment to the Water and Sewer Utility Rates and Fees Bylaw to reflect the changes to rates and fees incorporated in this 2018 Water Utility Fund Budget. The rate increases proposed reflect a 4.2% increase in the average annual rates and fees to be paid by an average Prince Albert household over the 2018 calendar year. The recommended rate increases are required to ensure that sufficient funds exist to cover annual operating costs and capital costs for 2018. The rate increases recommended for 2018 do not address the need to recover prior Water Utility Fund losses and the need to address the increase in projected future capital spending.

A significant capital project being undertaken in 2018 is the expansion of the City's water reservoir capacity. This project started in 2017 and continues into 2018.

For 2018 there are budgetary adjustments to the revenues and expenditures of this fund which include the items highlighted below.

Budgeted Revenue

Budgeted revenue has been increased by \$607,870 for 2018 from \$17,373,840 in 2017 to \$17,981,710 in 2018. The four primary sources of revenue for the Water and Sewer Utility Fund are:

1. Water Utility Consumption Fees - Based on the rates recommended for 2018, Administration is projecting that water revenues in this category will increase by \$473,110 to \$5,464,680.
2. Water Utility Fixed Fees - Based on the rates recommended for 2018, Administration is projecting that the Water Utility Fixed Fees will increase by \$145,890 to \$4,427,830.
3. Sewer Utility Consumption Fees - Based on the rates recommended for 2018, Administration is projecting that revenues will decrease by \$123,930 to \$4,029,930. Although Sewer Utility Consumption rates were increased for 2018, Administration reduced budgeted consumption levels based on a review of recent consumption levels resulting in decreased revenue overall.
4. Sewer Utility Fixed Fees - Known also as the Sewer Infrastructure charge, this fee is based on the size of the water meter utilized at someone's property. Based on the rates recommended for 2018, Administration is projecting that revenue from this fee will increase by \$167,800 to \$3,608,970.

Recognition of the revenue generated from water, sewer and sanitation services to City facilities continues to be recorded.

WATER UTILITY FUND BUDGET OVERVIEW

For the Year Ending December 31, 2018

Budgeted Expenses

Budgeted expenses have been increased by \$1,197,190 for 2018 from \$11,352,040 in 2017 to \$12,549,230 in 2018. Some of the major increases to operating expenditures in the 2018 Water Utility Fund budget are as follows:

- An overall increase to Salaries Wages and Benefits of \$258,290 related primarily to an increase in Salary Allocations from the Financial Services & Payroll Functional Area in the General Fund required to reflect where staff time is being utilized and the increase in staff time that will be required for monthly billing in 2018.
- An increase of \$50,000 for Financial Charges related to a new incentive program to be introduced for customers who pay their water bills on-line, through MIPPS, or at their bank. Residents will be eligible for a rebate if they pay through these methods for 12 consecutive months.
- An overall increase of \$505,810 to Interest on Long Term debt related primarily to new debt approved in the 2017 Budget for the New Water Treatment Reservoir and Zone 2 Reservoir Upgrades Capital Projects. The increase also includes projected interest for a two year Capital Project for City wide Water Meter Replacement of old meters to ensure accurate billing.
- An overall increase to Maintenance Materials and Supplies of \$391,610 related primarily to Waste Water Treatment Plant updates, repairs and a Rainfall Inflow and Infiltration Study. These items are required to ensure that the Waste Water Treatment Plant remains in compliance with regulation. The increase related to the above items is offset by a decrease in the budget for water meter replacement as a result of the 2018 Water Meter Replacement Capital Project.

2018 Capital Budget

For 2018, Administration is proposing \$10,529,300 in capital spending for the following items:

- \$4,103,000 for Zone 2 Reservoir Upgrades (Total Project is \$6,553,000 with \$2,450,000 approved in 2017)
- \$1,700,000 for Water Meter Replacement
- \$1,450,000 for Watermain Replacements
- \$500,000 for Sanitary/Storm Sewer Replacement Program
- \$350,000 for Filtration Retrofit Completion
- \$290,000 for Storm Pumping Station #4 Upgrade
- \$80,000 for Fire Hydrant Replacement Program
- \$40,000 for Filter to Waste Isolation Valve Installation
- \$2,016,300 for Loan Principal Payments

Please see below for a summary of 2018 capital spending and the funding sources:

	Water	Sewer	Fleet	Total
Water Utility Reserve	\$ 3,113,800	\$ 1,322,500	\$ -	\$ 4,436,300
Equipment Fleet Reserve	-	-	-	-
External Funding	-	290,000	-	290,000
Debt Financing	5,803,000	-	-	5,803,000
	<u>8,916,800</u>	<u>1,612,500</u>	<u>-</u>	<u>10,529,300</u>

WATER UTILITY FUND BUDGET OVERVIEW

For the Year Ending December 31, 2018

Waterworks Improvement Fund Balance

In conclusion, the sustainability of the Water Utility Fund is dependent on users being charged rates and fees that result in sufficient revenues to cover required operating costs and capital costs. As always, Administration works hard to provide a budget that is fiscally responsible and palatable for the residents of Prince Albert.

A summary of the 2018 Budget's impact on the Waterworks Improvement Fund Balance is as follows:

- The budgeted Water Utility Fund Surplus from operations to be transferred to the Waterworks Improvement Fund for 2018 is \$4,672,630.
- A transfer of \$4,436,300 to the Capital Committed Reserve for 2018 Capital Expenditures.
- This results in an estimated increase to the Waterworks Improvement Fund of \$236,330 bringing the estimated closing deficit to \$7,537,627.

WATER UTILITY FUND**OPERATING BUDGET**

For the Year Ending December 31, 2018

	2018	2017	(Favourable)
	Budget	Budget	Unfavourable
			Change
REVENUES			
User Charges and Fees	(\$17,611,410)	(\$17,003,540)	(\$607,870)
Interest and Penalties	(300,300)	(300,300)	-
Sundry	(70,000)	(70,000)	-
Total Revenues	(17,981,710)	(17,373,840)	(607,870)
EXPENSES			
Salaries Wages and Benefits	6,023,570	5,765,280	258,290
Contracted and General Services	689,180	679,180	10,000
Financial Charges	50,000	-	50,000
Utilities	978,100	1,044,200	(66,100)
Interest on Long Term Debt	771,850	266,040	505,810
Fleet Expenses	775,060	716,300	58,760
Maintenance Materials and Supplies	3,150,470	2,758,860	391,610
Insurance	31,000	42,180	(11,180)
Bad Debt Expense	80,000	80,000	-
Total Expenses	12,549,230	11,352,040	1,197,190
Operating (Surplus) Deficit	(5,432,480)	(6,021,800)	589,320
CAPITAL AND INTERFUND TRANSACTIONS			
Amortization	10	10	-
Transfer to General Fund	757,510	755,210	2,300
Transfer to Airport Fund	4,490	4,490	-
Transfer from Sanitation Fund	(2,160)	(2,160)	-
Capital and Interfund Transactions	759,850	757,550	2,300
TOTAL (SURPLUS) DEFICIT	(4,672,630)	(5,264,250)	591,620
Allocated as Follows:			
Transfer to Waterworks Improvement Fund	236,330	1,777,550	(1,541,220)
Transfer to Capital Committed Reserve	4,436,300	3,486,700	949,600
	4,672,630	5,264,250	(591,620)

WATER UTILITY FUND
OPERATING BUDGET SEGMENTED BY DIVISION

For the Year Ending December 31, 2018

FUNCTIONAL AREA: ADMINISTRATION, BILLING AND METER MAINTENANCE

	2018	2017	(Favourable)
	Budget	Budget	Unfavourable
			Change
REVENUES			
Interest and Penalties	(\$300,300)	(\$300,300)	\$-
Sundry	(70,000)	(70,000)	-
Total Revenues	(370,300)	(370,300)	-
EXPENSES			
Salaries Wages and Benefits	2,254,540	1,981,490	273,050
Contracted and General Services	2,500	2,500	-
Financial Charges	50,000	-	50,000
Interest on Long Term Debt	771,850	266,040	505,810
Fleet Expenses	18,360	27,980	(9,620)
Maintenance Materials and Supplies	465,490	694,870	(229,380)
Insurance	0	10,000	(10,000)
Bad Debt Expense	80,000	80,000	-
Total Expenses	3,642,740	3,062,880	579,860
Operating (Surplus) Deficit	3,272,440	2,692,580	579,860
CAPITAL AND INTERFUND TRANSACTIONS			
Amortization	10	10	-
Transfer to General Fund	757,510	755,210	2,300
Transfer to Airport Fund	4,490	4,490	-
Transfer from Sanitation Fund	(2,160)	(2,160)	-
Capital and Interfund Transactions	759,850	757,550	2,300
TOTAL (SURPLUS) DEFICIT	4,032,290	3,450,130	582,160

WATER UTILITY FUND
OPERATING BUDGET SEGMENTED BY DIVISION

For the Year Ending December 31, 2018

FUNCTIONAL AREA: WATER TREATMENT AND MAINTENANCE

	2018	2017	(Favourable)
	Budget	Budget	Unfavourable
			Change
REVENUES			
Water Utility Consumption Fees	(\$5,464,680)	(\$4,991,570)	(473,110)
Water Utility Fixed Fees	(4,427,830)	(4,281,940)	(145,890)
Total Revenues	(9,892,510)	(9,273,510)	(619,000)
EXPENSES			
Salaries Wages and Benefits	2,229,410	2,194,190	35,220
Contracted and General Services	143,000	147,000	(4,000)
Utilities	511,400	552,900	(41,500)
Fleet Expenses	309,450	283,670	25,780
Maintenance Materials and Supplies	1,307,320	1,257,900	49,420
Insurance	17,940	18,430	(490)
Total Expenses	4,518,520	4,454,090	64,430
Operating (Surplus) Deficit	(5,373,990)	(4,819,420)	(554,570)
CAPITAL AND INTERFUND TRANSACTIONS			
TOTAL (SURPLUS) DEFICIT	(5,373,990)	(4,819,420)	(554,570)

WATER UTILITY FUND
OPERATING BUDGET SEGMENTED BY DIVISION

For the Year Ending December 31, 2018

FUNCTIONAL AREA: WASTE WATER TREATMENT AND MAINTENANCE

	2018	2017	(Favourable)
	Budget	Budget	Unfavourable
			Change
REVENUES			
Sewer Utility Consumption Fees	(\$4,029,930)	(\$4,153,860)	\$123,930
Sewer Utility Fixed Fees	(3,608,970)	(3,441,170)	(167,800)
Septic Dumping Fees	(80,000)	(135,000)	55,000
Total Revenues	(7,718,900)	(7,730,030)	11,130
EXPENSES			
Salaries Wages and Benefits	1,539,620	1,589,600	(49,980)
Contracted and General Services	543,680	529,680	14,000
Utilities	466,700	491,300	(24,600)
Fleet Expenses	447,250	404,650	42,600
Maintenance Materials and Supplies	1,377,660	806,090	571,570
Insurance	13,060	13,750	(690)
Total Expenses	4,387,970	3,835,070	552,900
Operating (Surplus) Deficit	(3,330,930)	(3,894,960)	564,030
CAPITAL AND INTERFUND TRANSACTIONS			
TOTAL (SURPLUS) DEFICIT	(3,330,930)	(3,894,960)	564,030

WATER UTILITY FUND
CAPITAL EXPENDITURES AND FUND PROJECTIONS

For the Year Ending December 31, 2018

CAPITAL COMMITTED RESERVE	2018	2017
	Budget	Budget
Budgeted Funding:		
Funding for Capital - via Transfer from Waterworks Improvement Fund (Uncommitted)	(\$4,436,300)	(\$3,486,700)
Funding for Capital - via Transfer from Equipment Fleet Reserve	-	(390,000)
External Funding	(290,000)	(11,093,700)
Debt Financing	(5,803,000)	(5,450,000)
Total Funding	(10,529,300)	(20,420,400)
Expenditures:		
Watermain Replacements	1,450,000	1,000,000
Marquis Road Reservoir Pump Upgrade	-	-
Filtration Retrofit Completion	350,000	260,000
Sanitary/Storm Sewer Replacement	500,000	300,000
Replacement of Unit 207 - Steamer Unit	-	65,000
Replacement of Unit 351 - Vibratory Drum	-	150,000
Replacement of Unit 85 - Sewer Jet Rodder	-	500,000
Replacement of Unit 89 - C&D Crew Bus	-	25,000
Sewage Pumping Station Upgrades	-	2,093,700
3 Used Tandem Trucks	-	195,000
Lead Service Replacement Program	-	80,000
New Water Storage Reservoirs - Construction Year 1	-	12,000,000
Zone 2 Reservoir Upgrades	4,103,000	2,450,000
Water Meter Replacement	1,700,000	-
Filter to Waste Isolation	40,000	-
Storm Pumping Station #4 Upgrade	290,000	-
Fire Hydrant Replacement Program	80,000	-
Loan Principal Payments (not Capital)		
Water Treatment Plant Loan Principal	546,800	525,800
Waste Water Treatment Plant Loan Principal	822,500	775,900
New Water Reservoirs Loan Principal	181,000	-
Zone 2 Water Reservoir Upgrades Loan Principal	170,000	-
Water Meter Replacement Loan Principal	296,000	-
Total Expenditures	10,529,300	20,420,400
Budgeted (Increase) Decrease to Reserve	-	-
Reserve Balance, beginning of year (estimated)	-	998,912
Capital Carryforward - Outstanding from Prior Years	-	(998,912)
Reserve Balance, end of year (estimated)	-	-

WATER UTILITY FUND
CAPITAL EXPENDITURES AND FUND PROJECTIONS (Continued)

For the Year Ending December 31, 2018

WATERWORKS IMPROVEMENT FUND BALANCE (UNCOMMITTED EQUITY)	2018 Budget	2017 Budget
Budgeted Transactions		
Funding:		
Contribution from Operations	(\$4,672,630)	(\$5,264,250)
Expenses:		
Transfer to Capital Committed Reserve	4,436,300	3,486,700
Budgeted (Increase) Decrease to Fund	(236,330)	(1,777,550)
Fund (Surplus) Deficit Balance, beginning of year	7,773,957	9,551,507
Fund (Surplus) Deficit Balance, end of year	7,537,627	7,773,957