

THE CITY OF PRINCE ALBERT



WATER UTILITY FUND BUDGET FOR YEAR ENDING DECEMBER 31, 2016

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December 31, 2016 Consolidated Budget Document

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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 the 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 49 of 2015 is the most recent bylaw that set the Utility rates and fees for the period of 2015 and 2016. This bylaw was passed on December 21, 2015 and set rates and fees for 2016 at 2015 levels until such time as the Water Utility Fund Budget could be presented to the Budget Committee and City Council for their review and approval.

As part of the 2016 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 2016 Water Utility Fund Budget. The rate increases proposed reflects a 1.7% to 2.5% increase in the average annual rates and fees to be paid by an average Prince Albert household over the 2016 calendar year. The recommended rate increases are required to ensure that sufficient funds exist to cover annual operating costs and capital costs for 2016. The rate increases recommended for 2016 do not address the need to recover prior Water Utility Fund losses and the need to address the increase in projected future capital spending.

Budgeted Revenue

Budgeted revenue has been increased by \$626,630 for 2016 from \$15,700,470 in 2015 to \$16,327,100 in 2016. 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 2016, Administration is projecting that water revenues in this category will be \$4,455,980.
2. Water Utility Flat Fees - Based on the rates recommended for 2016, Administration is projecting that the Water Utility Flat fee will generate approximately \$4,144,210.
3. Sewer Utility Consumption Fees – Based on the rates recommended for 2016, Administration is projecting that this fee will generate approximately \$3,751,570.
4. Sewer Utility Flat 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 2016, Administration is projecting that this fee will generate approximately \$3,280,850.

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

Budgeted Expenses

Budgeted expenses have been increased by \$624,620 for 2016 from \$10,577,600 in 2015 to \$11,202,220 in 2016. Some of the major increases to operating expenditures in the 2016 Water Utility Fund budget are as follows:

- o An overall increase to Salaries Wages and Benefits of \$356,450 related to annual increases, step adjustments, and the adjustment of budgeted amounts to reflect the actual cost for approved positions.

WATER UTILITY FUND BUDGET OVERVIEW

For the Year Ending December 31, 2016

- An overall increase to Contracted and General Services of \$109,400 related primarily to a Low Lift Operation Master Plan, the development of a hydraulic model and a design of a UDI flushing sequence related to watermain repairs, implementation of a sewer relining program, and increased mineral removal. These increases are offset by the removal of budgeted funding in the prior year for an Energy and Infrastructure Improvement Report by SaskPower.
- An overall increase to Maintenance Materials and Supplies of \$200,290 related primarily to increases for a Waste Water Treatment Plant Master Plan, budget to actual adjustments for general increases in costs, numerous maintenance projects, increase in projected septic pump-out rebates, and increases in the allocation of administrative costs from other funds. These increases are offset by chemical savings, the removal of one-time funding for the prior year, and the transfer of budget funds to other areas such as Fleet expenses and Contracted and General Services.

2016 Capital Budget

For 2016, Administration is proposing \$4,542,700 in capital spending for the following items:

- \$1,000,000 for Watermain Replacements
- \$500,000 for a Marquis Road Reservoir Pump Upgrade
- \$385,000 for Filtration Retrofit Completion
- \$250,000 for a SCADA System Upgrade
- \$50,000 for Plant Service Water Line
- \$335,000 for Drainage Channel Rehabilitation
- \$300,000 for Sanitary/Storm Sewer Replacement
- \$120,000 for New Headworks Pump
- \$50,000 for Effluent Flow Meter
- \$300,000 for the Replacement of a 1997 2-Yard Loader
- \$1,237,700 for Loan Payments

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.

The budgeted Utility Fund Surplus for 2016 is \$4,367,330 with \$4,242,700 to be transferred to the Capital Committed Reserve for 2016 Capital Expenditures. This results in an estimated increase to the Waterworks Improvement Fund of \$124,630 bringing the estimated closing deficit to \$4,483,836.

WATER UTILITY FUND**OPERATING BUDGET**

For the Year Ending December 31, 2016

	2016	2015	(Favourable) Unfavourable
	Budget	Budget	Change
REVENUES			
User Charges and Fees	(\$15,956,800)	(\$15,330,170)	(\$626,630)
Interest and Penalties	(300,300)	(300,300)	0
Sundry	(70,000)	(70,000)	0
Total Revenues	(16,327,100)	(15,700,470)	(626,630)
EXPENSES			
Salaries Wages and Benefits	5,529,530	5,173,080	356,450
Contracted and General Services	640,080	530,680	109,400
Financial Charges	380	380	0
Utilities	1,028,940	1,028,940	0
Interest on Long Term Debt	331,560	386,470	(54,910)
Fleet Expenses	675,750	623,650	52,100
Maintenance Materials and Supplies	2,839,880	2,639,590	200,290
Insurance	76,100	114,810	(38,710)
Bad Debt Expense	80,000	80,000	0
Total Expenses	11,202,220	10,577,600	624,620
Operating (Surplus) Deficit	(5,124,880)	(5,122,870)	(2,010)
CAPITAL AND INTERFUND TRANSACTIONS			
Amortization	10	10	0
Transfer to General Fund	755,210	753,360	1,850
Transfer to Airport Fund	4,490	4,500	(10)
Transfer from Sanitation Fund	(2,160)	(2,160)	0
Capital and Interfund Transactions	757,550	755,710	1,840
TOTAL (SURPLUS) DEFICIT	(4,367,330)	(4,367,160)	(170)
Allocated as Follows:			
Transfer to Waterworks Improvement Fund	124,630	129,260	(4,630)
Transfer to Capital Committed Reserve	4,242,700	4,237,900	4,800
	4,367,330	4,367,160	170

WATER UTILITY FUND
OPERATING BUDGET SEGMENTED BY DIVISION

For the Year Ending December 31, 2016

FUNCTIONAL AREA: ADMINISTRATION, BILLING AND METER MAINTENANCE

	2016	2015	(Favourable)
	Budget	Budget	Unfavourable
			Change
REVENUES			
Interest and Penalties	(\$300,300)	(\$300,300)	\$0
Sundry	(70,000)	(70,000)	0
Total Revenues	(370,300)	(370,300)	0
EXPENSES			
Salaries Wages and Benefits	1,855,650	1,965,540	(109,890)
Contracted and General Services	2,500	2,500	0
Financial Charges	20	20	0
Interest on Long Term Debt	331,560	386,470	(54,910)
Fleet Expenses	26,400	26,400	0
Maintenance Materials and Supplies	711,320	667,640	43,680
Insurance	17,000	7,110	9,890
Bad Debt Expense	80,000	80,000	0
Total Expenses	3,024,450	3,135,680	(111,230)
Operating (Surplus) Deficit	2,654,150	2,765,380	(111,230)
CAPITAL AND INTERFUND TRANSACTIONS			
Amortization	10	10	0
Transfer to General Fund	755,210	753,360	1,850
Transfer to Airport Fund	4,490	4,500	(10)
Transfer from Sanitation Fund	(2,160)	(2,160)	0
Capital and Interfund Transactions	757,550	755,710	1,840
TOTAL (SURPLUS) DEFICIT	3,411,700	3,521,090	(109,390)

WATER UTILITY FUND
OPERATING BUDGET SEGMENTED BY DIVISION

For the Year Ending December 31, 2016

FUNCTIONAL AREA: WATER TREATMENT AND MAINTENANCE

	2016	2015	(Favourable)
	Budget	Budget	Unfavourable
			Change
REVENUES			
User Charges and Fees	(\$8,705,010)	(\$8,472,530)	(\$232,480)
Total Revenues	(8,705,010)	(8,472,530)	(232,480)
EXPENSES			
Salaries Wages and Benefits	2,030,700	1,622,830	407,870
Contracted and General Services	122,900	10,000	112,900
Financial Charges	160	160	0
Utilities	556,000	556,000	0
Fleet Expenses	243,480	234,380	9,100
Maintenance Materials and Supplies	1,359,120	1,312,660	46,460
Insurance	33,800	54,510	(20,710)
Total Expenses	4,346,160	3,790,540	555,620
Operating (Surplus) Deficit	(4,358,850)	(4,681,990)	323,140
CAPITAL AND INTERFUND TRANSACTIONS			
TOTAL (SURPLUS) DEFICIT	(4,358,850)	(4,681,990)	323,140

WATER UTILITY FUND
OPERATING BUDGET SEGMENTED BY DIVISION

For the Year Ending December 31, 2016

FUNCTIONAL AREA: WASTE WATER TREATMENT AND MAINTENANCE

	2016	2015	(Favourable)
	Budget	Budget	Unfavourable
			Change
REVENUES			
User Charges and Fees	(\$7,251,790)	(\$6,857,640)	(\$394,150)
Total Revenues	(7,251,790)	(6,857,640)	(394,150)
EXPENSES			
Salaries Wages and Benefits	1,643,180	1,584,710	58,470
Contracted and General Services	514,680	518,180	(3,500)
Financial Charges	200	200	0
Utilities	472,940	472,940	0
Fleet Expenses	405,870	362,870	43,000
Maintenance Materials and Supplies	769,440	659,290	110,150
Insurance	25,300	53,190	(27,890)
Total Expenses	3,831,610	3,651,380	180,230
Operating (Surplus) Deficit	(3,420,180)	(3,206,260)	(213,920)
CAPITAL AND INTERFUND TRANSACTIONS			
TOTAL (SURPLUS) DEFICIT	(3,420,180)	(3,206,260)	(213,920)

WATER UTILITY FUND
CAPITAL EXPENDITURES AND FUND PROJECTIONS

For the Year Ending December 31, 2016

CAPITAL COMMITTED RESERVE	2016	2015
	Budget	Budget
Budgeted Funding:		
Funding for Capital - via Transfer from Water Improvement Fund (Uncommitted)	(\$4,242,700)	(\$4,237,900)
Funding for Capital - via Transfer from Equipment Fleet Reserve	(300,000)	(638,000)
Total Funding	(4,542,700)	(4,875,900)
Expenditures:		
2nd Avenue Reconstruction (12-18th Street) with 15th Street Concrete Intersection Upgrade		963,000
Filtration Retrofit Completion		225,000
Clearwell Ceiling Repairs		50,000
2nd Avenue West Reservoir Upgrade		50,000
Trench Shoring		25,000
New Tandem Truck		135,000
Marquis Road Reservoir Pump Upgrade		78,000
Low Lift Boiler Upgrade		48,000
Replacement of Unit 55 - Trench Compactor		58,000
Replacement of Two 1/2 Tons - Units 112 and 114		60,000
Replacement of Unit 6 - Rubber Tired Backhoe		300,000
Replacement of Unit 3 - Loader		220,000
Watermain Replacement Program		800,000
Drainage Channel Drop Structures and Outlet Refurbishment		275,000
Lead Service Replacements		62,000
Sanitary/Storm Sewer Replacement Program		300,000
Water Treatment Plant Security Cameras		24,000
Waste Water Treatment Plant Security Cameras		26,000
Watermain Replacements	1,000,000	
Marquis Road Reservoir Pump Upgrade	500,000	
Filtration Retrofit Completion	385,000	
SCADA System Upgrade	250,000	
Plant Service Water Line	50,000	
Installation of New Hydrant - Anderson Motors	15,000	
Drainage Channel Rehabilitation	335,000	
Sanitary/Storm Sewer Replacement	300,000	
New Headworks Pump	120,000	
Effluent Flow Meter	50,000	
Replacement of Unit 4807 - a 1997 2 Yard Loader	300,000	
Loan Principal Payments (not Capital)		
Water Treatment Plant Loan Principal	505,700	486,300
Waste Water Treatment Plant Loan Principal	732,000	690,600
Total Expenditures	4,542,700	4,875,900
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WATER UTILITY FUND
CAPITAL EXPENDITURES AND FUND PROJECTIONS (Continued)

For the Year Ending December 31, 2016

WATERWORKS IMPROVEMENT FUND BALANCE (UNCOMMITTED)

Budgeted Transactions

Funding:

Contribution from Operations	<u>(4,367,330)</u>	<u>(4,367,160)</u>
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Expenses:

Transfer to Capital Committed Reserve	<u>4,242,700</u>	<u>4,237,900</u>
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Budgeted (Increase) Decrease to Fund	(124,630)	(129,260)
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Fund (Surplus) Deficit Balance, beginning of year	<u>4,608,466</u>	<u>4,737,726</u>
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Fund (Surplus) Deficit Balance, end of year	<u><u>4,483,836</u></u>	<u><u>4,608,466</u></u>
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