

# THE CITY OF PRINCE ALBERT



## WATER UTILITY FUND BUDGET FOR YEAR ENDING DECEMBER 31, 2020

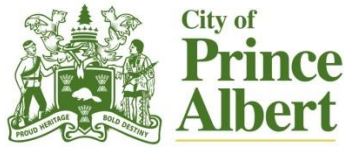
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December 31, 2020 Consolidated Budget Document

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## Budget Overview



The Water Utility Fund budget includes operating and capital. The Water Utility's operating budget is intended to be self-sustaining by generating an operating surplus sufficient for debt repayment and future capital expenditures in order to operate the water and waste water systems independent of the City's tax base. It generates revenue from collecting utility fees for providing safe potable drinking water and treating the effluent generated by the City.

The Fund's revenue sources are continually reviewed and monitored. Water and Sewer Utility Rates and Fees Bylaw 39 of 2018, is the most recent bylaw that set the utility rates and fees.

As part of the 2020 budget process, it is recommended that an amendment be made to the Water and Sewer Utility Rates and Fees Bylaw to reflect an increase to rates and fees. The rate increases proposed are a 2.56% increase in the average annual rates and fees paid by an average Prince Albert household for 2020. This would result in an approximate increase of \$2.75 per month for an average household. The recommended rate increases are required to ensure that sufficient funds exist to cover, annual operating and capital costs for 2020. The rate increases recommended for 2020 also help to address the need to recover prior Water Utility Fund losses and the need to address the increase in projected capital spending.

A summary of the largest 2020 budget changes include the following:

### 2020 Budgeted Revenue

Budgeted revenues have increased \$522,940, from \$18,201,190 in 2019, to \$18,724,130 in 2020. 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 2020, fees for water consumption are projected to decrease by \$32,700 to \$5,354,390. The increase in rates is offset by a decrease in projected consumption after a review of actual volumes in 2019 and expectations for 2020.
2. Water Utility Fixed Fees - based on the rates recommended for 2020, the fixed fees for water meters are projected to increase by \$113,490 to \$4,745,440.
3. Sewer Utility Consumption Fees - based on the rates recommended for 2020, fees for sewer collection and processing are projected to increase by \$239,340 to \$4,279,750.
4. Sewer Utility Fixed Fees – based on the rates recommended for 2020, these fees, also known as the Sewer Infrastructure Charge are projected to increase by \$82,810 to \$3,854,250. These fees are also based on the size of the water meter utilized at someone's property.

Recognition of revenue generated from water and sewer usage by City facilities continues to be recorded through interfund transactions.

**2020 Budgeted Expenses**

Budgeted expenses have increased \$190,910, from \$12,569,220 in 2019 to \$12,760,130 in 2020. Some of the major changes to operating expenditures are as follows:

- An increase of \$171,610 in salaries, wages and benefits related to a provision for annual increases budgeted at 2% for 2020 as well as adjustments based on a review of actual costs incurred and step increases.
- An increase of \$95,330 in utility costs related to updated forecasts and utility rate increases. The increase incorporates the impact of the Carbon Tax on electricity and natural gas.
- An increase of \$42,800 in fleet expenses related to the 6% increase in fleet charge out rates proposed by Administration for the 2020 Budget.
- An overall decrease of \$103,090 for maintenance, materials and supplies in 2020. There are various one-time expenditures budgeted for 2020 but these costs are offset by the removal of one-time funding for items budgeted in the 2019 budget.
- A decrease of \$36,020 in interest on long-term debt as each year the principle portion of the loan payment increases and the interest portion decreases.

**2020 Capital and Interfund Transactions**

Budgeted capital and interfund transactions have increased \$5,117,410, from \$771,820 in 2019 to \$5,889,230 in 2020. The major changes to capital and interfund transactions are as follows:

- An increase of \$5,099,990 related to amortization. Amortization, or depreciation, is an accounting method of allocating the cost of a tangible or physical asset over its useful life or life expectancy. Depreciation represents how much of an asset's value has been used up. Prior to 2020 the City did not budget for amortization as it is a non-cash item (i.e. it does not represent a cash outlay in the current year but rather the annual cost of the fund's assets spread over their useful lives). The City's auditors have requested that the City budget for amortization.
- An increase of \$17,420 in transfers to other City Funds related to water services provided to these funds. The increase in cost is offset by an increase in the revenue recorded for providing this service.

## WATER UTILITY FUND BUDGET OVERVIEW

For the Year Ending December 31, 2020

### 2020 Capital Budget

For 2020, Administration is proposing \$4,576,600 in capital spending for the following items:

- \$1,500,000 for the water main replacement program.
- \$700,000 for sanitary and storm sewer replacement program.
- \$370,000 for preliminary design and plant modeling for the required Waste Water Treatment Plant upgrade.
- \$360,000 for the replacement of a 2008 loader.
- \$145,000 for the lead service replacement program.
- \$80,000 for the fire hydrant replacement program.
- \$35,000 for security and infrastructure protection upgrades at the Water Treatment Plant and 2<sup>nd</sup> Avenue and Marquis Road reservoir and pump houses.
- \$1,386,600 for loan principal payments.

Please see below for a summary of 2020 capital spending and the funding sources:

	Water	Sewer	Fleet	Total
Water Utility Improvement Fund	\$ 3,111,600	\$ 1,070,000	\$ -	\$ 4,181,600
Equipment Fleet Reserve	-	-	360,000	360,000
Future Infrastructure Reserve	35,000	-	-	35,000
	<u>\$ 3,146,600</u>	<u>\$ 1,070,000</u>	<u>\$ 360,000</u>	<u>\$ 4,576,600</u>

### Water Utility 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 2020 budget impacts on the Water Utility Improvement Fund Balance is as follows:

- The budgeted Water Utility Fund surplus from operations, after adjusting for non-cash amortization, to be transferred to the Waterworks Improvement Fund Balance for 2020 is \$5,174,770.
- A transfer of \$4,181,600 to the Capital Committed Reserve for 2020 Capital Expenditures.
- This results in an estimated increase to the Water Utility Improvement Fund Balance of \$998,170 bringing the estimated 2020 year end deficit to \$4,752,708.

**WATER UTILITY FUND****OPERATING BUDGET**

For the Year Ending December 31, 2020

	<b>2020</b>	2019	(Favourable) Unfavourable
	<b>Budget</b>	Budget	Change
<b>REVENUES</b>			
User Charges and Fees	(\$18,293,830)	(\$17,830,890)	(\$462,940)
Interest and Penalties	(330,300)	(300,300)	(30,000)
Sundry	(100,000)	(70,000)	(30,000)
<b>Total Revenues</b>	<b>(18,724,130)</b>	(18,201,190)	(522,940)
<b>EXPENSES</b>			
Salaries Wages and Benefits	6,193,400	6,021,790	171,610
Contracted and General Services	779,180	763,180	16,000
Utilities	1,128,950	1,033,620	95,330
Interest on Long Term Debt	690,700	726,720	(36,020)
Fleet Expenses	867,870	825,070	42,800
Maintenance Materials and Supplies	2,982,820	3,085,910	(103,090)
Insurance	37,210	32,930	4,280
Bad Debt Expense	80,000	80,000	-
<b>Total Expenses</b>	<b>12,760,130</b>	12,569,220	190,910
<b>Operating (Surplus) Deficit</b>	<b>(5,964,000)</b>	(5,631,970)	(332,030)
<b>CAPITAL AND INTERFUND TRANSACTIONS</b>			
Amortization	5,100,000	10	5,099,990
Transfer to General Fund	785,100	769,060	16,040
Transfer to Airport Fund	5,130	3,810	1,320
Transfer to Sanitation Fund	2,700	2,500	200
Transfer from Sanitation Fund	(3,700)	(3,560)	(140)
<b>Capital and Interfund Transactions</b>	<b>5,889,230</b>	771,820	5,117,410
<b>TOTAL (SURPLUS) DEFICIT</b>	<b>(74,770)</b>	(4,860,150)	4,785,380
<b>Allocated as Follows:</b>			
Total (Surplus) Deficit	(74,770)	(4,860,150)	4,785,380
Non-Cash Adjustment - Amortization	(5,100,000)	-	(5,100,000)
<b>Total (Surplus) Deficit - Adjusted for Amortization</b>	<b>(5,174,770)</b>	(4,860,150)	(314,620)
Transfer to Water Utility Improvement Fund Balance	993,170	687,550	305,620
Transfer to Capital Committed Reserve	4,181,600	4,172,600	9,000
	-	-	-

**WATER UTILITY FUND**  
**OPERATING BUDGET SEGMENTED BY FUNCTIONAL AREA**

For the Year Ending December 31, 2020

**FUNCTIONAL AREA: ADMINISTRATION, BILLING AND METER MAINTENANCE**

	<b>2020</b>	2019	(Favourable)
	<b>Budget</b>	Budget	Unfavourable
			Change
<b>REVENUES</b>			
Interest and Penalties	(\$330,300)	(\$300,300)	(\$30,000)
Sundry	(100,000)	(70,000)	(30,000)
<b>Total Revenues</b>	<b>(430,300)</b>	<b>(370,300)</b>	<b>(60,000)</b>
<b>EXPENSES</b>			
Salaries Wages and Benefits	2,361,190	2,142,650	218,540
Contracted and General Services	2,500	17,500	(15,000)
Interest on Long Term Debt	690,700	726,720	(36,020)
Fleet Expenses	23,980	22,620	1,360
Maintenance Materials and Supplies	587,270	527,200	60,070
Bad Debt Expense	80,000	80,000	-
<b>Total Expenses</b>	<b>3,745,640</b>	<b>3,516,690</b>	<b>228,950</b>
<b>Operating (Surplus) Deficit</b>	<b>3,315,340</b>	<b>3,146,390</b>	<b>168,950</b>
<b>CAPITAL AND INTERFUND TRANSACTIONS</b>			
Amortization	5,100,000	10	5,099,990
Transfer to General Fund	785,100	769,060	16,040
Transfer to Airport Fund	5,130	3,810	1,320
Transfer to Sanitation Fund	2,700	2,500	200
Transfer from Sanitation Fund	(3,700)	(3,560)	(140)
<b>Capital and Interfund Transactions</b>	<b>5,889,230</b>	<b>771,820</b>	<b>5,117,410</b>
<b>TOTAL (SURPLUS) DEFICIT</b>	<b>9,204,570</b>	<b>3,918,210</b>	<b>5,286,360</b>

**WATER UTILITY FUND**  
**OPERATING BUDGET SEGMENTED BY FUNCTIONAL AREA**

For the Year Ending December 31, 2020

**FUNCTIONAL AREA: WATER TREATMENT AND MAINTENANCE**

	<b>2020</b>	2019	(Favourable) Unfavourable Change
	<b>Budget</b>	Budget	
<b>REVENUES</b>			
Water Utility Consumption Fees	(\$5,354,390)	(\$5,387,090)	32,700
Water Utility Fixed Fees	(4,745,440)	(4,631,950)	(113,490)
<b>Total Revenues</b>	<b>(10,099,830)</b>	(10,019,040)	(80,790)
<b>EXPENSES</b>			
Salaries Wages and Benefits	2,296,300	2,339,410	(43,110)
Contracted and General Services	13,000	22,000	(9,000)
Utilities	562,410	511,920	50,490
Fleet Expenses	427,660	392,810	34,850
Maintenance Materials and Supplies	1,522,020	1,524,270	(2,250)
Insurance	23,500	19,410	4,090
<b>Total Expenses</b>	<b>4,844,890</b>	4,809,820	35,070
<b>Operating (Surplus) Deficit</b>	<b>(5,254,940)</b>	(5,209,220)	(45,720)
<b>CAPITAL AND INTERFUND TRANSACTIONS</b>			
<b>TOTAL (SURPLUS) DEFICIT</b>	<b>(5,254,940)</b>	(5,209,220)	(45,720)



**WATER UTILITY FUND**  
**OPERATING BUDGET SEGMENTED BY FUNCTIONAL AREA**

For the Year Ending December 31, 2020

**FUNCTIONAL AREA: WASTE WATER TREATMENT AND MAINTENANCE**

	<b>2020</b>	2019	(Favourable) Unfavourable
	<u>Budget</u>	Budget	Change
<b>REVENUES</b>			
Sewer Utility Consumption Fees	(\$4,279,750)	(\$4,040,410)	(\$239,340)
Sewer Utility Fixed Fees	(3,854,250)	(3,771,440)	(82,810)
Septic Dumping Fees	(60,000)	-	(60,000)
<b>Total Revenues</b>	<b>(8,194,000)</b>	(7,811,850)	(382,150)
<b>EXPENSES</b>			
Salaries Wages and Benefits	1,535,910	1,539,730	(3,820)
Contracted and General Services	763,680	738,680	25,000
Utilities	566,540	521,700	44,840
Fleet Expenses	416,230	409,640	6,590
Maintenance Materials and Supplies	873,530	1,019,440	(145,910)
Insurance	13,710	13,520	190
<b>Total Expenses</b>	<b>4,169,600</b>	4,242,710	(73,110)
<b>Operating (Surplus) Deficit</b>	<b>(4,024,400)</b>	(3,569,140)	(455,260)
<b>CAPITAL AND INTERFUND TRANSACTIONS</b>			
<b>TOTAL (SURPLUS) DEFICIT</b>	<b>(4,024,400)</b>	(3,569,140)	(455,260)

**WATER UTILITY FUND**  
**CAPITAL EXPENDITURES AND FUND PROJECTIONS**

For the Year Ending December 31, 2020

<b>CAPITAL COMMITTED RESERVE</b>	<b>2020</b>	<b>2019</b>
	<b>Budget</b>	<b>Budget</b>
<b>Budgeted Funding:</b>		
Funding for Capital		
Transfer from Water Utility Improvement Fund (Uncommitted)	<b>(4,181,600)</b>	(\$4,172,600)
Transfer from Equipment Fleet Reserve	<b>(360,000)</b>	(10,000)
Transfer from Future Infrastructure Reserve	<b>(35,000)</b>	-
Internal Financing - General Fund	-	(3,041,500)
Total Funding for Capital	<b>(4,576,600)</b>	(7,224,100)
<b>Expenditures:</b>		
Water Main Replacement	<b>1,500,000</b>	1,500,000
Sanitary and Storm Sewer Replacement	<b>700,000</b>	500,000
Waste Water Plant Upgrade - Preliminary Design and Plant Modeling	<b>370,000</b>	-
Replacement of Unit 17 - 2008 Yard Loader	<b>360,000</b>	
Lead Service Replacement Program	<b>145,000</b>	140,000
Fire Hydrant Replacement Program	<b>80,000</b>	80,000
Water Treatment Facilities - Security and Infrastructure Protection	<b>35,000</b>	
Water Meter Replacement	-	3,041,500
New Raw Water Pump House Design and Project Services	-	500,000
Water Treatment Plant Roof Replacement	-	109,500
Replacement of Unit 86 - C&D Crew Bus	-	10,000
<b>Loan Principal Payments (not Capital)</b>		
Water Treatment Plant Upgrade Loan Principal	<b>591,100</b>	568,500
Water Meter Replacement Loan Principal	<b>422,500</b>	414,600
New Water Reservoirs Loan Principal	<b>193,000</b>	186,000
Zone 2 Water Reservoir Upgrades Loan Principal	<b>180,000</b>	174,000
Total Expenditures	<b>4,576,600</b>	7,224,100
Budgeted (Increase) Decrease to Reserve	-	-
Reserve Balance, Beginning of Year (Estimated)	-	385,879
Capital Carryforward - Outstanding From Prior Years	-	(385,879)
Reserve Balance, End of Year (Estimated)	-	-

**WATER UTILITY FUND**  
**CAPITAL EXPENDITURES AND FUND PROJECTIONS (Continued)**

For the Year Ending December 31, 2020

<b>WATER UTILITY IMPROVEMENT FUND BALANCE (UNCOMMITTED EQUITY)</b>	<b>2020</b>	2019
	<b>Budget</b>	Budget
<b>Budgeted Transactions</b>		
<b>Funding:</b>		
Contribution from Operations	<b>(\$5,174,770)</b>	(\$4,860,150)
 <b>Expenses:</b>		
Transfer to Capital Committed Reserve	<b>4,181,600</b>	4,172,600
Budgeted (Increase) Decrease to Fund	<b>(993,170)</b>	(687,550)
<b>Fund (Surplus) Deficit Balance, Beginning of Year (Estimated)</b>	<b>5,745,878</b>	6,433,428
<b>Fund (Surplus) Deficit Balance, End of Year (Estimated)</b>	<b>4,752,708</b>	5,745,878