

THE CITY OF PRINCE ALBERT



WATER UTILITY FUND BUDGET FOR YEAR ENDING DECEMBER 31, 2019

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December 31, 2019 Consolidated Budget Document

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Budget Overview



The Water Utility Fund is designed as a self-sustaining Fund that operates 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 revenue provides resources for operating and capital purchases.

The Fund's revenue sources are continually reviewed and monitored. Water and Sewer Utility Rates and Fees Bylaw 38 of 2017, is the most recent bylaw that set the utility rates and fees.

As part of the 2019 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 3.0% increase in the average annual rates and fees paid by an average Prince Albert household for 2019. This would result in an approximate increase of \$3.17 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 2019. The rate increases recommended for 2019 do not 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 2019 budget changes include the following:

2019 Budgeted Revenue

Budgeted revenues have increased \$219,480 from \$17,981,710 in 2018, to \$18,201,190 in 2019. 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 2019, fees for water consumption are projected to decrease by \$77,590 to \$5,387,090.
2. Water Utility Fixed Fees - based on the rates recommended for 2019, the fixed fees for water meters are projected to increase by \$204,120 to \$4,631,950.
3. Sewer Utility Consumption Fees - based on the rates recommended for 2019, fees for sewer dumping and processing are projected to increase by \$10,480 to \$4,040,410.
4. Sewer Utility Fixed Fees – based on the rates recommended for 2019, these fees, also known as the Sewer Infrastructure Charge are projected to increase by \$162,470 to \$3,771,440. 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.

2019 Budgeted Expenses

Budgeted expenses have increased \$19,990, from \$12,549,230 in 2018 to \$12,569,220 in 2019. Some of the major changes to operating expenditures are as follows:

- o An increase of \$74,000 to contracted and general services related to various projects budgeted for 2019.
- o A decrease of \$50,000 related to not implementing the incentive program proposed in the 2018 Budget whereby citizens would be eligible for a rebate if they paid their water bills on-line, through MIPPS, or at their bank for 12 consecutive months.

WATER UTILITY FUND BUDGET OVERVIEW

For the Year Ending December 31, 2019

- An increase of \$55,520 in utility costs primarily as a result of accurately reflecting the water usage by the Waste Water Treatment Plant. The cost is offset by water utility revenues from City and therefore the overall impact on the budget is nil.
- A decrease of \$45,130 in interest on long-term debt primarily as a result of one loan being paid in full in 2018.
- An increase of \$50,010 in fleet expenses related to the 6% increase in fleet charge out rates proposed by Administration for the 2019 Budget.
- An overall decrease of \$64,560 for maintenance materials and supplies in 2019. There are various one-time expenditures budgeted for 2019 but these costs are offset by the removal of one-time funding for items budgeted in the 2018 Budget.

2019 Capital Budget

For 2019, Administration is proposing \$7,224,100 in capital spending for the following items:

- \$3,041,500 for the water meter replacement project (\$4,741,500 total budget, \$1,700,000 approved in 2018).
- \$1,500,000 for the water main replacement program
- \$500,000 for design and engineering services for the new raw water pump house
- \$140,000 for lead service replacement program
- \$109,500 for water treatment plant roof replacement
- \$80,000 for fire hydrant replacement program
- \$1,343,100 for loan principal payments
- \$500,000 for sanitary and storm sewer replacement program
- \$10,000 for replacement of Unit 86 - C&D crew bus

Please see below for a summary of 2019 capital spending and the funding sources:

	Water	Sewer	Fleet	Total
Waterworks Improvement Fund	\$ 3,672,600	\$ 500,000	\$ -	\$ 4,172,600
Equipment Fleet Reserve	-	-	10,000	10,000
Internal Financing - General Fund	3,041,500			3,041,500
	<u>\$ 6,714,100</u>	<u>\$ 500,000</u>	<u>\$ 10,000</u>	<u>\$ 7,224,100</u>

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 2019 budget impacts 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 Balance for 2019 is \$4,860,150.
- A transfer of \$4,172,600 to the Capital Committed Reserve for 2019 Capital Expenditures.
- This results in an estimated increase to the Waterworks Improvement Fund Balance of \$687,550 bringing the estimated 2019 year end deficit to \$7,194,847.

WATER UTILITY FUND**OPERATING BUDGET**

For the Year Ending December 31, 2019

	2019	2018	(Favourable) Unfavourable Change
	Budget	Budget	
REVENUES			
User Charges and Fees	(\$17,830,890)	(\$17,611,410)	(\$219,480)
Interest and Penalties	(300,300)	(300,300)	-
Sundry	(70,000)	(70,000)	-
Total Revenues	(18,201,190)	(17,981,710)	(219,480)
EXPENSES			
Salaries Wages and Benefits	6,021,790	6,023,570	(1,780)
Contracted and General Services	763,180	689,180	74,000
Financial Charges	-	50,000	(50,000)
Utilities	1,033,620	978,100	55,520
Interest on Long Term Debt	726,720	771,850	(45,130)
Fleet Expenses	825,070	775,060	50,010
Maintenance Materials and Supplies	3,085,910	3,150,470	(64,560)
Insurance	32,930	31,000	1,930
Bad Debt Expense	80,000	80,000	-
Total Expenses	12,569,220	12,549,230	19,990
Operating (Surplus) Deficit	(5,631,970)	(5,432,480)	(199,490)
CAPITAL AND INTERFUND TRANSACTIONS			
Amortization	10	10	-
Transfer to General Fund	769,060	757,510	11,550
Transfer to Airport Fund	3,810	4,490	(680)
Transfer to Sanitation Fund	2,500	-	2,500
Transfer from Sanitation Fund	(3,560)	(2,160)	(1,400)
Capital and Interfund Transactions	771,820	759,850	11,970
TOTAL (SURPLUS) DEFICIT	(4,860,150)	(4,672,630)	(187,520)
Allocated as Follows:			
Transfer to Waterworks Improvement Fund Balance	687,550	236,330	451,220
Transfer to Capital Committed Reserve	4,172,600	4,436,300	(263,700)
	4,860,150	4,672,630	187,520

WATER UTILITY FUND
OPERATING BUDGET SEGMENTED BY FUNCTIONAL AREA

For the Year Ending December 31, 2019

FUNCTIONAL AREA: ADMINISTRATION, BILLING AND METER MAINTENANCE

	2019	2018	(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	2,142,650	2,254,540	(111,890)
Contracted and General Services	17,500	2,500	15,000
Financial Charges	0	50,000	(50,000)
Interest on Long Term Debt	726,720	771,850	(45,130)
Fleet Expenses	22,620	18,360	4,260
Maintenance Materials and Supplies	527,200	465,490	61,710
Bad Debt Expense	80,000	80,000	-
Total Expenses	3,516,690	3,642,740	(126,050)
Operating (Surplus) Deficit	3,146,390	3,272,440	(126,050)
CAPITAL AND INTERFUND TRANSACTIONS			
Amortization	10	10	-
Transfer to General Fund	769,060	757,510	11,550
Transfer to Airport Fund	3,810	4,490	(680)
Transfer to Sanitation Fund	2,500	-	2,500
Transfer from Sanitation Fund	(3,560)	(2,160)	(1,400)
Capital and Interfund Transactions	771,820	759,850	11,970
TOTAL (SURPLUS) DEFICIT	3,918,210	4,032,290	(114,080)

WATER UTILITY FUND
OPERATING BUDGET SEGMENTED BY FUNCTIONAL AREA

For the Year Ending December 31, 2019

FUNCTIONAL AREA: WATER TREATMENT AND MAINTENANCE

	2019	2018	(Favourable)
	Budget	Budget	Unfavourable
			Change
REVENUES			
Water Utility Consumption Fees	(\$5,387,090)	(\$5,464,680)	77,590
Water Utility Fixed Fees	(4,631,950)	(4,427,830)	(204,120)
Total Revenues	(10,019,040)	(9,892,510)	(126,530)
EXPENSES			
Salaries Wages and Benefits	2,339,410	2,229,410	110,000
Contracted and General Services	22,000	143,000	(121,000)
Utilities	511,920	511,400	520
Fleet Expenses	392,810	309,450	83,360
Maintenance Materials and Supplies	1,524,270	1,307,320	216,950
Insurance	19,410	17,940	1,470
Total Expenses	4,809,820	4,518,520	291,300
Operating (Surplus) Deficit	(5,209,220)	(5,373,990)	164,770
CAPITAL AND INTERFUND TRANSACTIONS			
TOTAL (SURPLUS) DEFICIT	(5,209,220)	(5,373,990)	164,770

WATER UTILITY FUND
OPERATING BUDGET SEGMENTED BY FUNCTIONAL AREA

For the Year Ending December 31, 2019

FUNCTIONAL AREA: WASTE WATER TREATMENT AND MAINTENANCE

	2019	2018	(Favourable)
	Budget	Budget	Unfavourable
			Change
REVENUES			
Sewer Utility Consumption Fees	(\$4,040,410)	(\$4,029,930)	(\$10,480)
Sewer Utility Fixed Fees	(3,771,440)	(3,608,970)	(162,470)
Septic Dumping Fees	-	(80,000)	80,000
Total Revenues	(7,811,850)	(7,718,900)	(92,950)
EXPENSES			
Salaries Wages and Benefits	1,539,730	1,539,620	110
Contracted and General Services	738,680	543,680	195,000
Utilities	521,700	466,700	55,000
Fleet Expenses	409,640	447,250	(37,610)
Maintenance Materials and Supplies	1,019,440	1,377,660	(358,220)
Insurance	13,520	13,060	460
Total Expenses	4,242,710	4,387,970	(145,260)
Operating (Surplus) Deficit	(3,569,140)	(3,330,930)	(238,210)
CAPITAL AND INTERFUND TRANSACTIONS			
TOTAL (SURPLUS) DEFICIT	(3,569,140)	(3,330,930)	(238,210)

WATER UTILITY FUND
CAPITAL EXPENDITURES AND FUND PROJECTIONS

For the Year Ending December 31, 2019

CAPITAL COMMITTED RESERVE	2019	2018
	Budget	Budget
Budgeted Funding:		
Funding for Capital		
Transfer from Waterworks Improvement Fund (Uncommitted)	(\$4,172,600)	(\$4,436,300)
Transfer from Equipment Fleet Reserve	(10,000)	
External Funding	-	(290,000)
Internal Financing - General Fund	(3,041,500)	
Debt Financing	-	(5,803,000)
 Total Funding for Capital	(7,224,100)	(10,529,300)
 Expenditures:		
Water Meter Replacement	3,041,500	1,700,000
Water Main Replacement	1,500,000	1,450,000
New Raw Water Pump House Design and Project Services	500,000	
Sanitary and Storm Sewer Replacement	500,000	500,000
Lead Service Replacement Program	140,000	-
Water Treatment Plant Roof Replacement	109,500	
Fire Hydrant Replacement Program	80,000	80,000
Replacement of Unit 86 - C&D Crew Bus	10,000	-
Filtration Retrofit Completion	-	350,000
Zone 2 Reservoir Upgrades	-	4,103,000
Filter to Waste Isolation	-	40,000
Storm Pumping Station #4 Upgrade	-	290,000
 Loan Principal Payments (not Capital)		
Water Treatment Plant Upgrade Loan Principal	568,500	546,800
Water Meter Replacement Loan Principal	414,600	296,000
New Water Reservoirs Loan Principal	186,000	181,000
Zone 2 Water Reservoir Upgrades Loan Principal	174,000	170,000
Waste Water Treatment Plant Loan Principal	-	822,500
Total Expenditures	7,224,100	10,529,300
 Budgeted (Increase) Decrease to Reserve	-	-
 Reserve Balance, beginning of year (estimated)	-	470,291
Capital Carryforward - Outstanding From Prior Years	-	(470,291)
 Reserve Balance, end of year (estimated)	-	-

WATER UTILITY FUND
CAPITAL EXPENDITURES AND FUND PROJECTIONS (Continued)

For the Year Ending December 31, 2019

WATERWORKS IMPROVEMENT FUND BALANCE (UNCOMMITTED EQUITY)	2019 Budget	2018 Budget
Budgeted Transactions		
Funding:		
Contribution from Operations	<u>(\$4,860,150)</u>	<u>(\$4,672,630)</u>
Expenses:		
Transfer to Capital Committed Reserve	<u>4,172,600</u>	<u>4,436,300</u>
Budgeted (Increase) Decrease to Fund	(687,550)	(236,330)
Fund (Surplus) Deficit Balance, Beginning of Year (Estimated)	7,882,397	(2,884,726)
Adjustment Related to Long Term Debt Received at end of 2017	<u>-</u>	<u>11,003,453</u>
Fund (Surplus) Deficit Balance, End of Year (Estimated)	<u>7,194,847</u>	<u>7,882,397</u>