

THE CITY OF PRINCE ALBERT



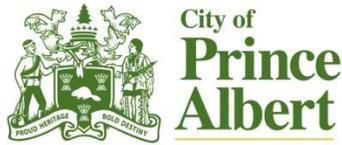
WATER UTILITY FUND BUDGET FOR YEAR ENDING DECEMBER 31, 2022

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December 31, 2022 Consolidated Budget Document

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Budget Overview



The Water Utility Fund budget includes operating and capital. The water utility 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 by collecting utility fees for providing safe potable drinking water and for treating the effluent generated by the City.

The Fund's revenue sources are continually reviewed and monitored. The Water and Sewer Utility Rates and Fees Bylaw 2 of 2021 is the most recent bylaw that sets the utility rates and fees.

As part of the 2022 budget process, it is recommended that an amendment be made to the Water and Sewer Utility Rates and Fees Bylaw to increase rates and fees. The rate increases proposed are a 3% increase in the average annual rates and fees paid by an average Prince Albert household for 2022, an approximate increase of \$2.42 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 2022. The rate increases recommended for 2022 partially address the need to recover prior Water Utility Fund losses and the need to address the increase in projected capital spending.

Administration has proposed a 3 year increase to the water and sewer rates of 3% per year. The monthly impact and annual impact is shown in the chart below.

Average Residential - Monthly Charges for 14 cubic meters monthly

		<u>Year 2021</u>	<u>Year 2022</u>	<u>Year 2023</u>	<u>Year 2024</u>
Water Consumption	14.0	\$18.48	\$19.18	\$19.74	\$20.30
Sewer Consumption	14.0	\$16.52	\$16.94	\$17.50	\$18.06
Water Fixed		\$26.50	\$27.25	\$28.10	\$28.90
Sewer Fixed		\$24.75	\$25.30	\$26.10	\$26.90
TOTAL MONTHLY		\$86.25	\$88.67	\$91.44	\$94.16
	Monthly Increase		\$2.42	\$2.77	\$2.72
	Yearly Increase		\$29.04	\$33.24	\$32.64
	Percentage Increase		3%	3%	3%

COVID-19 Financial Impact and the 2021 Budget

The Water Utility Fund incurred losses in 2020 and 2021 related to COVID-19. Currently Administration is not estimating any additional losses for 2022. Administration will continue to monitor the impact of COVID-19 on the Water Utility Fund for 2022. If any additional losses are identified, funding will be required from the Water Utility Improvement Fund balance or from existing or future government funding.

A summary of the largest 2022 budget changes include the following:

2022 Budgeted Revenue

Budgeted revenues have increased \$558,640, from \$19,069,150 in 2021 to \$19,627,790 in 2022. 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 2022, fees for water consumption are projected to increase by \$245,690 to \$5,768,970.
2. Water Utility Fixed Fees - based on the rates recommended for 2022, the fixed fees for water meters are projected to increase by \$262,870 to \$5,132,130.
3. Sewer Utility Consumption Fees - based on the rates recommended for 2022, fees for sewer collection and processing are projected to increase by \$74,510 to \$4,338,340.
4. Sewer Utility Fixed Fees – based on the rates recommended for 2022, these fees, also known as the Sewer Infrastructure Charge, is projected to increase by \$100,570 to \$4,013,050. These fees are 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 and adjusted through interfund transactions.

2022 Budgeted Expenses

Budgeted expenses have decreased \$727,110, from \$13,900,330 in 2021, to \$13,173,220 in 2022.

A description of the major changes are listed below:

- \$273,250 decrease in Salaries, Wages and Benefits – the decrease is primarily related to the reallocation of the cost of salaried positions between funds to better reflect where individual's time is spent.
- \$464,350 decrease in Maintenance, Material and Supplies – the decrease is primarily related to the removal of one-time expenditures budgeted for 2021 and the removal of an allocation of street sweeping costs from the General Fund to the Utility Fund.
- \$222,200 increase in Interest on Long Term Debt – the increase in interest expense relates to the debt required for the new Raw Water Pumphouse but is offset by a decrease in the annual interest cost for existing loans.

WATER UTILITY FUND BUDGET OVERVIEW

For the Year Ending December 31, 2022

2022 Capital and Interfund Transactions

Budgeted capital and interfund transactions have decreased \$171,880, from \$6,199,370 in 2021 to \$6,027,490 in 2022.

2022 Capital Budget

\$6,437,600 in capital spending is proposed for 2022 and is listed below:

- \$1,400,000 for the water main replacement program.
- \$1,300,000 for detailed design for Year 2 of the Waste Water Plant upgrade.
- \$750,000 for sanitary and storm sewer replacement program.
- \$400,000 for River Street Reservoir Refurbish and Repairs.
- \$395,000 for Water Treatment Plant PLC and SCADA system upgrades.
- \$170,000 for decommissioning the former Raw Water Pump House.
- \$150,000 for the lead service replacement program.
- \$100,000 for the fire hydrant replacement program.
- \$50,000 for fire hydrant fire protection.
- \$1,722,600 for loan principal payments.

Please see below for a summary of 2022 capital spending and the funding sources:

	<u>Water</u>	<u>Sewer</u>	<u>Fleet</u>	<u>Total</u>
Water Utility Improvement Fund	\$ 3,753,100	\$ 1,168,600	\$ -	\$ 4,921,700
Equipment Fleet Reserve	-	-	-	-
External Financing	215,900	-	-	215,900
Debt Financing	-	1,300,000	-	1,300,000
	<u>\$ 3,969,000</u>	<u>\$ 2,468,600</u>	<u>\$ -</u>	<u>\$ 6,437,600</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 2022 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 Water Utility Improvement Fund Balance for 2022 is \$5,927,080.
- A transfer of \$4,921,700 to the Capital Committed Reserve for 2022 Capital Expenditures.
- This results in an estimated increase to the Water Utility Improvement Fund Balance of \$1,005,380 bringing the estimated 2022 year end deficit to \$8,459,954.

**WATER UTILITY FUND
OPERATING BUDGET**

For the Year Ending December 31, 2022

	2022	2021	(Favourable) Unfavourable Change
	Budget	Budget	
REVENUES			
User Charges and Fees	(\$19,322,490)	(\$18,638,850)	(\$683,640)
Interest and Penalties	(200,300)	(330,300)	130,000
Sundry	(105,000)	(100,000)	(5,000)
Total Revenues	(19,627,790)	(19,069,150)	(558,640)
EXPENSES			
Salaries Wages and Benefits	5,995,010	6,268,260	(273,250)
Contracted and General Services	940,500	997,180	(56,680)
Utilities	1,234,910	1,268,610	(33,700)
Interest on Long Term Debt	1,037,000	814,800	222,200
Fleet Expenses	844,640	867,870	(23,230)
Maintenance Materials and Supplies	3,003,190	3,467,540	(464,350)
Insurance	42,970	41,070	1,900
Bad Debt Expense	75,000	175,000	(100,000)
Total Expenses	13,173,220	13,900,330	(727,110)
Operating (Surplus) Deficit	(6,454,570)	(5,168,820)	(1,285,750)
CAPITAL AND INTERFUND TRANSACTIONS			
Capital Revenue	(371,270)	(161,340)	(209,930)
Amortization	5,500,000	5,500,000	-
Transfer to General Fund	894,500	855,320	39,180
Transfer to Airport Fund	5,830	5,130	700
Transfer to Sanitation Fund	2,000	3,830	(1,830)
Transfer from Sanitation Fund	(3,570)	(3,570)	-
Capital and Interfund Transactions	6,027,490	6,199,370	(171,880)
TOTAL (SURPLUS) DEFICIT	(427,080)	1,030,550	(1,457,630)
Allocated as Follows:			
Total (Surplus) Deficit	(427,080)	1,030,550	(1,457,630)
Non-Cash Adjustment - Amortization	(5,500,000)	(5,500,000)	-
Total (Surplus) Deficit - Adjusted for Amortization	(5,927,080)	(4,469,450)	(1,457,630)
Transfer to Water Utility Improvement Fund Balance	1,005,380	483,750	521,630
Transfer to Capital Committed Reserve	4,921,700	3,985,700	936,000
	-	-	-

WATER UTILITY FUND
OPERATING BUDGET SEGMENTED BY FUNCTIONAL AREA

For the Year Ending December 31, 2022

FUNCTIONAL AREA: ADMINISTRATION, BILLING AND METER MAINTENANCE

	2022	2021	(Favourable)
	Budget	Budget	Unfavourable
			Change
REVENUES			
Interest and Penalties	(\$200,300)	(\$330,300)	\$130,000
Sundry	(105,000)	(100,000)	(5,000)
Total Revenues	(305,300)	(430,300)	125,000
EXPENSES			
Salaries Wages and Benefits	2,133,750	2,420,500	(286,750)
Contracted and General Services	-	-	-
Interest on Long Term Debt	1,037,000	814,800	222,200
Fleet Expenses	25,410	23,980	1,430
Maintenance Materials and Supplies	549,520	696,420	(146,900)
Bad Debt Expense	75,000	175,000	(100,000)
Total Expenses	3,820,680	4,130,700	(310,020)
Operating (Surplus) Deficit	3,515,380	3,700,400	(185,020)
CAPITAL AND INTERFUND TRANSACTIONS			
Capital Revenue	(371,270)	(161,340)	(209,930)
Amortization	5,500,000	5,500,000	-
Transfer to General Fund	894,500	855,320	39,180
Transfer to Airport Fund	5,830	5,130	700
Transfer to Sanitation Fund	2,000	3,830	(1,830)
Transfer from Sanitation Fund	(3,570)	(3,570)	-
Capital and Interfund Transactions	6,027,490	6,199,370	(171,880)
TOTAL (SURPLUS) DEFICIT	9,542,870	9,899,770	(356,900)

WATER UTILITY FUND
OPERATING BUDGET SEGMENTED BY FUNCTIONAL AREA

For the Year Ending December 31, 2022

FUNCTIONAL AREA: WATER TREATMENT AND MAINTENANCE

	2022	2021	(Favourable)
	Budget	Budget	Unfavourable
			Change
REVENUES			
Water Utility Consumption Fees	(\$5,768,970)	(\$5,523,280)	(245,690)
Water Utility Fixed Fees	(5,132,130)	(4,869,260)	(262,870)
Total Revenues	(10,901,100)	(10,392,540)	(508,560)
EXPENSES			
Salaries Wages and Benefits	2,333,580	2,325,850	7,730
Contracted and General Services	19,500	13,500	6,000
Utilities	594,410	583,010	11,400
Fleet Expenses	371,790	427,660	(55,870)
Maintenance Materials and Supplies	1,665,350	1,736,820	(71,470)
Insurance	27,460	26,060	1,400
Total Expenses	5,012,090	5,112,900	(100,810)
Operating (Surplus) Deficit	(5,889,010)	(5,279,640)	(609,370)
CAPITAL AND INTERFUND TRANSACTIONS			
TOTAL (SURPLUS) DEFICIT	(5,889,010)	(5,279,640)	(609,370)

WATER UTILITY FUND
OPERATING BUDGET SEGMENTED BY FUNCTIONAL AREA

For the Year Ending December 31, 2022

FUNCTIONAL AREA: WASTE WATER TREATMENT AND MAINTENANCE

	2022	2021	(Favourable)
	Budget	Budget	Unfavourable
			Change
REVENUES			
Sewer Utility Consumption Fees	(\$4,338,340)	(\$4,263,830)	(\$74,510)
Sewer Utility Fixed Fees	(4,013,050)	(3,912,480)	(100,570)
Septic Dumping Fees	(70,000)	(70,000)	-
Total Revenues	(8,421,390)	(8,246,310)	(175,080)
EXPENSES			
Salaries Wages and Benefits	1,527,680	1,521,910	5,770
Contracted and General Services	921,000	983,680	(62,680)
Utilities	640,500	685,600	(45,100)
Fleet Expenses	447,440	416,230	31,210
Maintenance Materials and Supplies	788,320	1,034,300	(245,980)
Insurance	15,510	15,010	500
Total Expenses	4,340,450	4,656,730	(316,280)
Operating (Surplus) Deficit	(4,080,940)	(3,589,580)	(491,360)
CAPITAL AND INTERFUND TRANSACTIONS			
TOTAL (SURPLUS) DEFICIT	(4,080,940)	(3,589,580)	(491,360)

WATER UTILITY FUND
CAPITAL EXPENDITURES AND FUND PROJECTIONS

For the Year Ending December 31, 2022

CAPITAL COMMITTED RESERVE	2022	2021
	Budget	Budget
Budgeted Funding:		
Funding for Capital		
Transfer from Water Utility Improvement Fund (Uncommitted)	(\$4,921,700)	(\$3,985,700)
Transfer from Equipment Fleet Reserve	-	(65,000)
Gas Tax Funding	(215,900)	-
Debt Financing	(1,300,000)	(1,100,000)
Total Funding for Capital	(6,437,600)	(5,150,700)
Expenditures:		
Water Main Replacement	1,400,000	1,500,000
Waste Water Plant Upgrade - Detailed Design Year 1	-	1,100,000
Waste Water Plant Upgrade - Detailed Design Year 2	1,300,000	-
Sanitary and Storm Sewer Replacement	750,000	750,000
River Street Reservoir Refurbish and Repairs	400,000	-
Water Treatment Plant PLC and SCADA system upgrades	395,000	-
Former Raw Water Pump House - Decommission	170,000	-
Lead Service Replacement Program	150,000	150,000
Fire Hydrant Replacement Program	100,000	100,000
Replacement of Unit 204 - Steamer Unit	-	65,000
Fire Hydrant - Fire Protection	50,000	50,000
Loan Principal Payments (not Capital)		
Water Treatment Plant Upgrade Loan Principal	639,100	614,700
Water Meter Replacement Loan Principal	450,000	436,000
River Street Reservoir Loan Principal	206,000	199,000
Zone 2 Water Reservoir Upgrades Loan Principal	193,000	186,000
WWTP Detailed Design Year 1	18,600	-
Raw Water Pump House - Funded from Gas Tax	215,900	-
Total Expenditures	6,437,600	5,150,700
Budgeted (Increase) Decrease to Reserve	-	-
Reserve Balance, Beginning of Year (Estimated)	-	406,036
Capital Carryforward - Outstanding From Prior Years	-	(406,036)
Reserve Balance, End of Year (Estimated)	-	-

WATER UTILITY FUND
CAPITAL EXPENDITURES AND FUND PROJECTIONS (Continued)

For the Year Ending December 31, 2022

WATER UTILITY IMPROVEMENT FUND BALANCE (UNCOMMITTED EQUITY)	2022 Budget	2021 Budget
Budgeted Transactions		
Funding:		
Contribution from Operations	(\$5,927,080)	(\$4,469,450)
Expenses:		
Transfer to Capital Committed Reserve	4,921,700	3,985,700
Budgeted (Increase) Decrease to Fund	(1,005,380)	(483,750)
Fund (Surplus) Deficit Balance, Beginning of Year (Estimated)	9,465,334	9,949,084
Fund (Surplus) Deficit Balance, End of Year (Estimated)	8,459,954	9,465,334

