

# THE CITY OF PRINCE ALBERT



## WATER UTILITY FUND BUDGET FOR YEAR ENDING DECEMBER 31, 2017

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December 31, 2017 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 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 2 of 2016 is the most recent bylaw that set the Utility rates and fees currently in place.

As part of the 2017 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 2017 Water Utility Fund Budget. The rate increases proposed reflect a 1.9% increase in the average annual rates and fees to be paid by an average Prince Albert household over the 2017 calendar year. The recommended rate increases are required to ensure that sufficient funds exist to cover annual operating costs and capital costs for 2017. The rate increases recommended for 2017 do not address the need to recover prior Water Utility Fund losses and the need to address the increase in projected future capital spending.

For 2017 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 \$1,046,740 for 2017 from \$16,327,100 in 2016 to \$17,373,840 in 2017. 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 2017 and a correction of billing errors identified by Administration in 2016, Administration is projecting that water revenues in this category will increase by \$472,540 to \$4,991,570. The increase related to the correction of billing errors was \$297,000.
2. Water Utility Flat Fees - Based on the rates recommended for 2017, Administration is projecting that the Water Utility Flat fees will increase by \$95,960 to \$4,281,940.
3. Sewer Utility Consumption Fees - Based on the rates recommended for 2017 and a correction of billing errors identified by Administration in 2016, Administration is projecting that revenues will increase by \$345,630 to \$4,153,860. The increase related to the correction of billing errors was \$278,000.
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 2017, Administration is projecting that revenue from this fee increase by \$132,610 to \$3,441,170.

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 \$149,820 for 2017 from \$11,202,220 in 2016 to \$11,352,040 in 2017. Some of the major increases to operating expenditures in the 2017 Water Utility Fund budget are as follows:

## WATER UTILITY FUND BUDGET OVERVIEW

For the Year Ending December 31, 2017

- An overall increase to Salaries Wages and Benefits of \$235,750 related to base adjustments, a provision for salary increases based on upcoming collective bargaining negotiations, an increase in the budget for normal levels of overtime not previously budgeted for, the transfer of budget from the General Fund for a Clerk Steno position to reflect where they are utilized, and the adjustment of budgeted amounts to reflect the actual cost of approved positions.
- An overall increase to Contracted and General Services of \$39,100 related primarily to the completion of the development of a hydraulic model and a design of a UDI flushing sequence related to watermain repairs and an increase requested related to development of an Asset Management Plan for both the Water Treatment and Waste Water Treatment operations. These increases are offset by the removal of one-time budgeted funding in the prior year as well as a reduction for other budgeted amounts no longer required.
- An increase in Fleet Expenses of \$40,550 based on Administration’s proposed 6% increase in fleet rates proposed for the 2017 Budget.
- An overall decrease to Maintenance Materials and Supplies of \$81,020 related primarily to decreases as a result of the removal of one-time budgeting funding from the prior year, a decrease in chemical costs, asphalt and granular material costs, and fire-hydrant replacement costs. These decreases are offset by increases for various one-time expenditures for equipment, maintenance, and funding for a Sludge Management Report. Other adjustments were made to budgeted amounts based on a review of historical costs and expectations for 2017.
- A decrease of \$33,920 in the budget for Insurance costs based in initial estimates from the insurance renewal process.

### 2017 Capital Budget

For 2017, Administration is proposing \$20,420,400 in capital spending for the following items:

- \$12,000,000 for New Water Storage Reservoirs
- \$2,450,000 for Zone 2 Reservoir Upgrades
- \$1,000,000 for Watermain Replacements
- \$260,000 for Filtration Retrofit Completion
- \$80,000 for Lead Service Replacement Program
- \$2,093,700 for Sewage Pumping Station Upgrades
- \$300,000 for Sanitary/Storm Sewer Replacement Program
- \$195,000 for 3 Used Tandem Trucks
- \$500,000 for the Replacement of Unit 85 – Sewer Jet Rodder
- \$150,000 for the Replacement of Unit 351 – Vibratory Drum
- \$65,000 for the Replacement of Unit 207 – Steamer Unit
- \$25,000 for the Replacement of Unit 89 – Collections & Distribution Crew Bus
- \$1,301,700 for Loan Payments

Please see below for a summary of 2017 capital spending and the funding sources:

	Water	Sewer	Fleet	Total
Water Utility Reserve	\$ 1,865,800	\$ 1,620,900	\$ -	\$ 3,486,700
Equipment Fleet Reserve	-	-	390,000	390,000
External Funding	9,000,000	2,093,700	-	11,093,700
Debt Financing	5,450,000	-	-	5,450,000
	16,315,800	3,714,600	390,000	20,420,400

## WATER UTILITY FUND BUDGET OVERVIEW

For the Year Ending December 31, 2017

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### 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 2017 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 2017 is \$5,264,250.
- A transfer of \$3,486,700 to the Capital Committed Reserve for 2017 Capital Expenditures.
- This results in an estimated increase to the Waterworks Improvement Fund of \$1,777,550 bringing the estimated closing deficit to \$5,692,464.

**WATER UTILITY FUND  
OPERATING BUDGET**

For the Year Ending December 31, 2017

	<b>2017 Budget</b>	2016 Budget	(Favourable) Unfavourable Change
<b>REVENUES</b>			
User Charges and Fees	(\$17,003,540)	(\$15,956,800)	(\$1,046,740)
Interest and Penalties	(300,300)	(300,300)	-
Sundry	(70,000)	(70,000)	-
<b>Total Revenues</b>	<b>(17,373,840)</b>	<b>(16,327,100)</b>	<b>(1,046,740)</b>
<b>EXPENSES</b>			
Salaries Wages and Benefits	5,765,280	5,529,530	235,750
Contracted and General Services	679,180	640,080	39,100
Financial Charges	-	380	(380)
Utilities	1,044,200	1,028,940	15,260
Interest on Long Term Debt	266,040	331,560	(65,520)
Fleet Expenses	716,300	675,750	40,550
Maintenance Materials and Supplies	2,758,860	2,839,880	(81,020)
Insurance	42,180	76,100	(33,920)
Bad Debt Expense	80,000	80,000	-
<b>Total Expenses</b>	<b>11,352,040</b>	<b>11,202,220</b>	<b>149,820</b>
<b>Operating (Surplus) Deficit</b>	<b>(6,021,800)</b>	<b>(5,124,880)</b>	<b>(896,920)</b>
<b>CAPITAL AND INTERFUND TRANSACTIONS</b>			
Amortization	10	10	-
Transfer to General Fund	755,210	755,210	-
Transfer to Airport Fund	4,490	4,490	-
Transfer from Sanitation Fund	(2,160)	(2,160)	-
<b>Capital and Interfund Transactions</b>	<b>757,550</b>	<b>757,550</b>	<b>-</b>
<b>TOTAL (SURPLUS) DEFICIT</b>	<b>(5,264,250)</b>	<b>(4,367,330)</b>	<b>(896,920)</b>
<b>Allocated as Follows:</b>			
Transfer to Waterworks Improvement Fund	1,777,550	124,630	1,652,920
Transfer to Capital Committed Reserve	3,486,700	4,242,700	(756,000)
	<b>5,264,250</b>	<b>4,367,330</b>	<b>896,920</b>

**WATER UTILITY FUND**  
**OPERATING BUDGET SEGMENTED BY DIVISION**

For the Year Ending December 31, 2017

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

	<b>2017</b>	2016	(Favourable)
	<b>Budget</b>	Budget	Unfavourable
			Change
<b>REVENUES</b>			
Interest and Penalties	<b>(\$300,300)</b>	(\$300,300)	\$-
Sundry	<b>(70,000)</b>	(70,000)	-
<b>Total Revenues</b>	<b>(370,300)</b>	(370,300)	-
<b>EXPENSES</b>			
Salaries Wages and Benefits	<b>1,981,490</b>	1,855,650	125,840
Contracted and General Services	<b>2,500</b>	2,500	-
Financial Charges	-	20	(20)
Interest on Long Term Debt	<b>266,040</b>	331,560	(65,520)
Fleet Expenses	<b>27,980</b>	26,400	1,580
Maintenance Materials and Supplies	<b>694,870</b>	711,320	(16,450)
Insurance	<b>10,000</b>	17,000	(7,000)
Bad Debt Expense	<b>80,000</b>	80,000	-
<b>Total Expenses</b>	<b>3,062,880</b>	3,024,450	38,430
<b>Operating (Surplus) Deficit</b>	<b>2,692,580</b>	2,654,150	38,430
<b>CAPITAL AND INTERFUND TRANSACTIONS</b>			
Amortization	<b>10</b>	10	-
Transfer to General Fund	<b>755,210</b>	755,210	-
Transfer to Airport Fund	<b>4,490</b>	4,490	-
Transfer from Sanitation Fund	<b>(2,160)</b>	(2,160)	-
<b>Capital and Interfund Transactions</b>	<b>757,550</b>	757,550	-
<b>TOTAL (SURPLUS) DEFICIT</b>	<b>3,450,130</b>	3,411,700	38,430

**WATER UTILITY FUND**  
**OPERATING BUDGET SEGMENTED BY DIVISION**

For the Year Ending December 31, 2017

**FUNCTIONAL AREA: WATER TREATMENT AND MAINTENANCE**

	<b>2017</b>	2016	(Favourable)
	<b>Budget</b>	Budget	Unfavourable
			Change
<b>REVENUES</b>			
Water Utility Consumption Fees	( <b>\$4,991,570</b> )	(\$4,519,030)	(472,540)
Water Utility Flat Fees	( <b>4,281,940</b> )	(4,185,980)	(95,960)
<b>Total Revenues</b>	<b>(9,273,510)</b>	(8,705,010)	(568,500)
<b>EXPENSES</b>			
Salaries Wages and Benefits	<b>2,194,190</b>	2,030,700	163,490
Contracted and General Services	<b>147,000</b>	122,900	24,100
Financial Charges	-	160	(160)
Utilities	<b>552,900</b>	556,000	(3,100)
Fleet Expenses	<b>283,670</b>	243,480	40,190
Maintenance Materials and Supplies	<b>1,257,900</b>	1,359,120	(101,220)
Insurance	<b>18,430</b>	33,800	(15,370)
<b>Total Expenses</b>	<b>4,454,090</b>	4,346,160	107,930
<b>Operating (Surplus) Deficit</b>	<b>(4,819,420)</b>	(4,358,850)	(460,570)
<b>CAPITAL AND INTERFUND TRANSACTIONS</b>			
<b>TOTAL (SURPLUS) DEFICIT</b>	<b>(4,819,420)</b>	(4,358,850)	(460,570)

**WATER UTILITY FUND**  
**OPERATING BUDGET SEGMENTED BY DIVISION**

For the Year Ending December 31, 2017

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

	<b>2017</b>	2016	(Favourable)
	<b>Budget</b>	Budget	Unfavourable
			Change
<b>REVENUES</b>			
Sewer Utility Consumption Fees	<b>(\$4,153,860)</b>	(\$3,808,230)	(\$345,630)
Sewer Utility Flat Fees	<b>(3,441,170)</b>	(3,308,560)	(132,610)
Septic Dumping Fees	<b>(135,000)</b>	(135,000)	-
<b>Total Revenues</b>	<b>(7,730,030)</b>	(7,251,790)	(478,240)
<b>EXPENSES</b>			
Salaries Wages and Benefits	<b>1,589,600</b>	1,643,180	(53,580)
Contracted and General Services	<b>529,680</b>	514,680	15,000
Financial Charges	-	200	(200)
Utilities	<b>491,300</b>	472,940	18,360
Fleet Expenses	<b>404,650</b>	405,870	(1,220)
Maintenance Materials and Supplies	<b>806,090</b>	769,440	36,650
Insurance	<b>13,750</b>	25,300	(11,550)
<b>Total Expenses</b>	<b>3,835,070</b>	3,831,610	3,460
<b>Operating (Surplus) Deficit</b>	<b>(3,894,960)</b>	(3,420,180)	(474,780)
<b>CAPITAL AND INTERFUND TRANSACTIONS</b>			
<b>TOTAL (SURPLUS) DEFICIT</b>	<b>(3,894,960)</b>	(3,420,180)	(474,780)

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

For the Year Ending December 31, 2017

<b>CAPITAL COMMITTED RESERVE</b>	<b>2017</b>	<b>2016</b>
	<b>Budget</b>	<b>Budget</b>
<b>Budgeted Funding:</b>		
Funding for Capital - via Transfer from Waterworks Improvement Fund (Uncommitted)	(\$3,486,700)	(\$4,242,700)
Funding for Capital - via Transfer from Equipment Fleet Reserve	(390,000)	(300,000)
External Funding	(11,093,700)	
Debt Financing	(5,450,000)	
<b>Total Funding</b>	<b>(20,420,400)</b>	<b>(4,542,700)</b>
<b>Expenditures:</b>		
Watermain Replacements	1,000,000	1,000,000
Marquis Road Reservoir Pump Upgrade		500,000
Filtration Retrofit Completion	260,000	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	300,000
New Headworks Pump		120,000
Effluent Flow Meter		50,000
Replacement of Unit 4807 - a 1997 2 Yard Loader		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	2,450,000	
<b>Loan Principal Payments (not Capital)</b>		
Water Treatment Plant Loan Principal	525,800	505,700
Waste Water Treatment Plant Loan Principal	775,900	732,000
<b>Total Expenditures</b>	<b>20,420,400</b>	<b>4,542,700</b>
Budgeted (Increase) Decrease to Reserve	-	-
Reserve Balance, beginning of year (estimated)	-	1,031,524
Capital Carryforward - Outstanding from Prior Years	-	(1,031,524)
Reserve Balance, end of year (estimated)	-	-

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

For the Year Ending December 31, 2017

<b>WATERWORKS IMPROVEMENT FUND BALANCE (UNCOMMITTED EQUITY)</b>	<b>2017</b>	2016
	<b>Budget</b>	Budget
<b>Budgeted Transactions</b>		
<b>Funding:</b>		
Contribution from Operations	<b>(\$5,264,250)</b>	(\$4,367,330)
<b>Expenses:</b>		
Transfer to Capital Committed Reserve	3,486,700	4,242,700
Budgeted (Increase) Decrease to Fund	(1,777,550)	(124,630)
<b>Fund (Surplus) Deficit Balance, beginning of year</b>	<b>7,470,014</b>	<b>7,594,644</b>
<b>Fund (Surplus) Deficit Balance, end of year</b>	<b>5,692,464</b>	<b>7,470,014</b>