

THE CITY OF PRINCE ALBERT



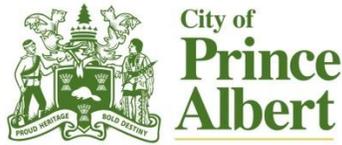
WATER UTILITY FUND BUDGET FOR YEAR ENDING DECEMBER 31, 2021

TABLE OF CONTENTS

December 31, 2021 Consolidated Budget Document

Water Utility Fund Budget Overview	Page 3
Water Utility Fund Operating Budget	Page 7
Water Utility Fund Capital and Fund Projections	Page 11

Budget Overview



The Water Utility Fund budget includes operating and capital. The Water Utility Fund 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 21 of 2019 is the most recent bylaw that sets the utility rates and fees.

As part of the 2021 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 for consumers outside of the City limits as well as for the provincial correctional facilities. The 2021 Budget incorporates a 0% increase to the average annual rates and fees paid by an average Prince Albert household or commercial business for 2021. The recommended rate increases are required to ensure that sufficient funds exist to cover annual operating and capital costs for 2021. The rate increases recommended for 2021 do not address the need to recover prior Water Utility Fund losses and the need to address the increase in projected capital spending.

COVID-19 Financial Impact and the 2021 Budget

The Water Utility Fund incurred losses in 2020 related to COVID-19. Currently Administration is not estimating any additional losses for 2021. Administration will continue to monitor the impact of COVID-19 on the Water Utility Fund for 2021. The City received funding from the Saskatchewan Government Municipal Economic Enhancement Program and funding from the Federal Government Safe Restart Program. The 2020 remaining funds from these sources is estimated at \$2.9 million depending on the final year-end financial impact due to the pandemic. If any additional losses are identified, there will be sufficient remaining funding available.

A summary of the largest 2021 budget changes include the following:

2021 Budgeted Revenue

Budgeted revenues have increased \$345,020, from \$18,724,130 in 2020, to \$19,069,150 in 2021. 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 2021, fees for water consumption are projected to increase by \$168,890 to \$5,523,280. The increase in rates is offset by a decrease in projected consumption after a review of actual volumes in 2020 and expectations for 2021.
2. Water Utility Fixed Fees - based on the rates recommended for 2021, the fixed fees for water meters are projected to increase by \$123,820 to \$4,869,260.
3. Sewer Utility Consumption Fees - based on the rates recommended for 2021, fees for sewer collection and processing are projected to decrease by \$15,920 to \$4,263,830. The increase in rates is offset by a decrease in projected consumption after a review of actual volumes in 2020 and expectations for 2021.
4. Sewer Utility Fixed Fees – based on the rates recommended for 2021, these fees, also known as the Sewer Infrastructure Charge, is projected to increase by \$58,230 to \$3,912,480. 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 and adjusted through interfund transactions.

2021 Budgeted Expenses

Budgeted expenses have increased \$1,140,200, from \$12,760,130 in 2020, to \$13,900,330 in 2021. Some of the major changes to operating expenditures are as follows:

- An increase of \$74,860 in salaries, wages and benefits related to base adjustments and a provision for CUPE 160, CUPE 882, and out-of-scope staff as the current collective bargaining agreements expired at the end of 2019.
- An increase of \$218,000 in contracted and general services related primarily to the following:
 - \$120,000 increase in the budget for sewer line replacement on taxpayer property. City Council decided through Resolution 240 at the regular Council meeting on June 1, 2020 to provide additional assistance to taxpayers to re-line/repair sewer lines on taxpayer’s property where City owned trees existed. This included all root clearing costs and increase to the City’s cost sharing from 60% to 80% for re-lining (average cost of \$7,000). This has greatly increased taxpayer’s interest in the re-lining program. The program is being capped at \$135,000 for 2021.
 - \$50,000 increase in the budget for sewer relining as relining can make a sewer like new again for less cost than the cost of replacement.

WATER UTILITY FUND BUDGET OVERVIEW

For the Year Ending December 31, 2021

- An increase of \$139, 660 in utility costs related primarily to water usage that previously had not been charged to the Waste Water Treatment Plant (WWTP). The amount is offset by revenue earned by the Water Utility Fund and therefore the impact on the budget is nil.
- An increase of \$124,100 in interest on long term debt primarily related to the loan required for the Raw Water Pump House project.
- An increase of \$124,100 primarily related to the loan required for the Raw Water Pump House project. The interest and principal costs related to the loan will be offset by Gas Tax Funding.
- An overall increase of \$484,720 for maintenance, materials and supplies in 2021. There are various one-time expenditures budgeted for 2021 but these costs are offset by the removal of one-time funding for items budgeted in the 2020 budget. As the Water Treatment Plant (WTP) and Waste Water Treatment Plant (WWTP) facilities continue to age, maintenance costs continue to rise on an annual basis.
- A \$95,000 increase in bad debt expense to more accurately reflect the annual cost based on a review of actual results from 2015 to 2019.

2021 Capital and Interfund Transactions

Budgeted capital and interfund transactions have increased \$310,140, from \$5,889,230 in 2020 to \$6,199,370 in 2021. The major changes to capital and interfund transactions are as follows:

- An increase of \$400,000 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. The budget has been increased based on updated forecasts.
- A decrease related to an increase in capital revenue. This amount relates to Gas Tax Funding that is being used to offset the interest cost on the loan required for the Raw Water Pump House project.

2021 Capital Budget

For 2021, Administration is proposing \$5,150,700 in capital spending for the following items:

- \$1,500,000 for the water main replacement program.
- \$1,100,000 for detailed design for Year 1 of the Waste Water Plant upgrade.
- \$750,000 for sanitary and storm sewer replacement program.
- \$150,000 for the lead service replacement program.
- \$100,000 for the fire hydrant replacement program.
- \$65,000 for the replacement of steamer unit 204.
- \$50,000 for fire hydrant fire protection.
- \$1,435,700 for loan principal payments.

WATER UTILITY FUND BUDGET OVERVIEW

For the Year Ending December 31, 2021

Please see below for a summary of 2021 capital spending and the funding sources:

	Water	Sewer	Fleet	Total
Water Utility Improvement Fund	\$ 3,235,700	\$ 750,000	\$ -	\$ 3,985,700
Equipment Fleet Reserve	-	-	65,000	65,000
Debt Financing	-	1,100,000	-	1,100,000
	<u>\$ 3,235,700</u>	<u>\$ 1,850,000</u>	<u>\$ 65,000</u>	<u>\$ 5,150,700</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 2021 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 2021 is \$4,469,450.
- A transfer of \$3,985,700 to the Capital Committed Reserve for 2021 Capital Expenditures.
- This results in an estimated increase to the Water Utility Improvement Fund Balance of \$483,750 bringing the estimated 2021 year end deficit to \$8,426,931.

**WATER UTILITY FUND
OPERATING BUDGET**

For the Year Ending December 31, 2021

	2021	2020	(Favourable) Unfavourable Change
	Budget	Budget	
REVENUES			
User Charges and Fees	(\$18,638,850)	(\$18,293,830)	(\$345,020)
Interest and Penalties	(330,300)	(330,300)	-
Sundry	(100,000)	(100,000)	-
Total Revenues	(19,069,150)	(18,724,130)	(345,020)
EXPENSES			
Salaries Wages and Benefits	6,268,260	6,193,400	74,860
Contracted and General Services	997,180	779,180	218,000
Utilities	1,268,610	1,128,950	139,660
Interest on Long Term Debt	814,800	690,700	124,100
Fleet Expenses	867,870	867,870	-
Maintenance Materials and Supplies	3,467,540	2,982,820	484,720
Insurance	41,070	37,210	3,860
Bad Debt Expense	175,000	80,000	95,000
Total Expenses	13,900,330	12,760,130	1,140,200
Operating (Surplus) Deficit	(5,168,820)	(5,964,000)	795,180
CAPITAL AND INTERFUND TRANSACTIONS			
Capital Revenue	(161,340)	-	(161,340)
Amortization	5,500,000	5,100,000	400,000
Transfer to General Fund	855,320	785,100	70,220
Transfer to Airport Fund	5,130	5,130	-
Transfer to Sanitation Fund	3,830	2,700	1,130
Transfer from Sanitation Fund	(3,570)	(3,700)	130
Capital and Interfund Transactions	6,199,370	5,889,230	310,140
TOTAL (SURPLUS) DEFICIT	1,030,550	(74,770)	1,105,320
Allocated as Follows:			
Total (Surplus) Deficit	1,030,550	(74,770)	1,105,320
Non-Cash Adjustment - Amortization	(5,500,000)	(5,100,000)	(400,000)
Total (Surplus) Deficit - Adjusted for Amortization	(4,469,450)	(5,174,770)	705,320
Transfer to Water Utility Improvement Fund Balance	483,750	993,170	(509,420)
Transfer to Capital Committed Reserve	3,985,700	4,181,600	(195,900)
	-	-	-

WATER UTILITY FUND
OPERATING BUDGET SEGMENTED BY FUNCTIONAL AREA

For the Year Ending December 31, 2021

FUNCTIONAL AREA: ADMINISTRATION, BILLING AND METER MAINTENANCE

	2021	2020	(Favourable) Unfavourable
	Budget	Budget	Change
REVENUES			
Interest and Penalties	(\$330,300)	(\$330,300)	\$0
Sundry	(100,000)	(100,000)	-
Total Revenues	(430,300)	(430,300)	-
EXPENSES			
Salaries Wages and Benefits	2,420,500	2,361,190	59,310
Contracted and General Services	0	2,500	(2,500)
Interest on Long Term Debt	814,800	690,700	124,100
Fleet Expenses	23,980	23,980	-
Maintenance Materials and Supplies	696,420	587,270	109,150
Bad Debt Expense	175,000	80,000	95,000
Total Expenses	4,130,700	3,745,640	385,060
Operating (Surplus) Deficit	3,700,400	3,315,340	385,060
CAPITAL AND INTERFUND TRANSACTIONS			
Capital Revenue	(161,340)	-	(161,340)
Amortization	5,500,000	5,100,000	400,000
Transfer to General Fund	855,320	785,100	70,220
Transfer to Airport Fund	5,130	5,130	-
Transfer to Sanitation Fund	3,830	2,700	1,130
Transfer from Sanitation Fund	(3,570)	(3,700)	130
Capital and Interfund Transactions	6,199,370	5,889,230	310,140
TOTAL (SURPLUS) DEFICIT	9,899,770	9,204,570	695,200

WATER UTILITY FUND
OPERATING BUDGET SEGMENTED BY FUNCTIONAL AREA

For the Year Ending December 31, 2021

FUNCTIONAL AREA: WATER TREATMENT AND MAINTENANCE

	2021	2020	(Favourable) Unfavourable Change
	Budget	Budget	
REVENUES			
Water Utility Consumption Fees	(\$5,523,280)	(\$5,354,390)	(168,890)
Water Utility Fixed Fees	(4,869,260)	(4,745,440)	(123,820)
Total Revenues	(10,392,540)	(10,099,830)	(292,710)
EXPENSES			
Salaries Wages and Benefits	2,325,850	2,296,300	29,550
Contracted and General Services	13,500	13,000	500
Utilities	583,010	562,410	20,600
Fleet Expenses	427,660	427,660	-
Maintenance Materials and Supplies	1,736,820	1,522,020	214,800
Insurance	26,060	23,500	2,560
Total Expenses	5,112,900	4,844,890	268,010
Operating (Surplus) Deficit	(5,279,640)	(5,254,940)	(24,700)
CAPITAL AND INTERFUND TRANSACTIONS			
TOTAL (SURPLUS) DEFICIT	(5,279,640)	(5,254,940)	(24,700)

WATER UTILITY FUND
OPERATING BUDGET SEGMENTED BY FUNCTIONAL AREA

For the Year Ending December 31, 2021

FUNCTIONAL AREA: WASTE WATER TREATMENT AND MAINTENANCE

	2021	2020	(Favourable)
	Budget	Budget	Unfavourable
			Change
REVENUES			
Sewer Utility Consumption Fees	(\$4,263,830)	(\$4,279,750)	\$15,920
Sewer Utility Fixed Fees	(3,912,480)	(3,854,250)	(58,230)
Septic Dumping Fees	(70,000)	(60,000)	(10,000)
Total Revenues	(8,246,310)	(8,194,000)	(52,310)
EXPENSES			
Salaries Wages and Benefits	1,521,910	1,535,910	(14,000)
Contracted and General Services	983,680	763,680	220,000
Utilities	685,600	566,540	119,060
Fleet Expenses	416,230	416,230	-
Maintenance Materials and Supplies	1,034,300	873,530	160,770
Insurance	15,010	13,710	1,300
Total Expenses	4,656,730	4,169,600	487,130
Operating (Surplus) Deficit	(3,589,580)	(4,024,400)	434,820
CAPITAL AND INTERFUND TRANSACTIONS			
TOTAL (SURPLUS) DEFICIT	(3,589,580)	(4,024,400)	434,820

WATER UTILITY FUND
CAPITAL EXPENDITURES AND FUND PROJECTIONS

For the Year Ending December 31, 2021

CAPITAL COMMITTED RESERVE	2021	2020
	<u>Budget</u>	<u>Budget</u>
Budgeted Funding:		
Funding for Capital		
Transfer from Water Utility Improvement Fund (Uncommitted)	(\$3,985,700)	(\$4,181,600)
Transfer from Equipment Fleet Reserve	(65,000)	(360,000)
Transfer from Future Infrastructure Reserve - General Fund	-	(35,000)
Debt Financing	<u>(1,100,000)</u>	-
Total Funding for Capital	<u>(5,150,700)</u>	(4,576,600)
 Expenditures:		
Water Main Replacement	1,500,000	1,500,000
Waste Water Plant Upgrade - Detailed Design Year 1	1,100,000	-
Sanitary and Storm Sewer Replacement	750,000	700,000
Lead Service Replacement Program	150,000	145,000
Fire Hydrant Replacement Program	100,000	80,000
Replacement of Unit 204 - Steamer Unit	65,000	360,000
Fire Hydrant - Fire Protection	50,000	-
Waste Water Plant Upgrade - Preliminary Design and Plant Modeling	-	370,000
Water Treatment Facilities - Security and Infrastructure Protection	-	35,000
 Loan Principal Payments (not Capital)		
Water Treatment Plant Upgrade Loan Principal	614,700	591,100
Water Meter Replacement Loan Principal	436,000	422,500
River Street Reservoir Loan Principal	199,000	193,000
Zone 2 Water Reservoir Upgrades Loan Principal	186,000	180,000
Total Expenditures	<u>5,150,700</u>	4,576,600
 Budgeted (Increase) Decrease to Reserve	 -	 -
 Reserve Balance, Beginning of Year (Estimated)	 -	 658,573
Capital Carryforward - Outstanding From Prior Years	<u>-</u>	<u>(658,573)</u>
 Reserve Balance, End of Year (Estimated)	 <u>-</u>	 <u>-</u>

WATER UTILITY FUND
CAPITAL EXPENDITURES AND FUND PROJECTIONS (Continued)

For the Year Ending December 31, 2021

WATER UTILITY IMPROVEMENT FUND BALANCE (UNCOMMITTED EQUITY)	2021	2020
	Budget	Budget
Budgeted Transactions		
Funding:		
Contribution from Operations	(\$4,469,450)	(\$5,174,770)
Expenses:		
Transfer to Capital Committed Reserve	3,985,700	4,181,600
Budgeted (Increase) Decrease to Fund	(483,750)	(993,170)
Fund (Surplus) Deficit Balance, Beginning of Year (Estimated)	8,910,681	9,903,851
Fund (Surplus) Deficit Balance, End of Year (Estimated)	8,426,931	8,910,681