



RPT 21-46

TITLE: 2021 Water Utility Fund Operating and Capital Budget

DATE: January 26, 2021

TO:

PUBLIC: X

INCAMERA:

RECOMMENDATION:

1. That the 2021 Water Utility Fund Operating Budget be approved as follows:
 - a) Operating revenues of \$19,069,150;
 - b) Operating expenses of \$13,900,330;
 - c) Capital and interfund transactions of \$6,199,370; and
 - d) A deficit of \$1,030,550. After adjusting for non-cash amortization, the surplus is \$4,469,450 to fund capital projects and loan principal payments;
2. That the 2021 Water Utility Fund capital expenditures of \$3,715,000 and loan principal payments of \$1,435,700, be approved;
3. That the motions from the 2021 Water Utility Fund Budget Committee deliberations be ratified and that Administration proceed as authorized; and,
4. That the 2021 Water Utility Fund budgeted expenditures be approved for disbursement effective January 1, 2021.

TOPIC & PURPOSE:

For City Council to approve the 2021 Water Utility Fund Operating and Capital Budget along with the resolutions of the Budget Committee.

BACKGROUND:

On January 20 and 21, 2021 the Budget Committee considered the 2021 Water Utility Fund Operating and Capital Budgets and recommended that the 2021 Water Utility Fund Operating and Capital Budget, along with the Resolutions of the Budget Committee, be forwarded to City Council for final approval.

PROPOSED APPROACH AND RATIONALE:

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 Director of Finance presented the budget package to the Budget Committee that included a format that provided budgeted 2021 revenues and expenditures along with the changes relative to the previous years approved budget. For 2021 there are budgetary adjustments to the revenues and expenditures of this fund which include the items highlighted below.

Budgeted Revenue – Increase of \$345,020

Administration continually reviews and monitors this Fund's revenue sources. 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.

Budgeted Expenses – Increase of \$1,140,200

Some of the major changes to operating expenditures in the 2020 Water Utility Fund budget 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 \$330,000 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.
- 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.

Capital and Interfund Transactions – Increase of \$310,140

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.

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.

CONSULTATIONS:

A media release notified the public that the Budget Committee meetings for the 2021 Water Utility, Sanitation, Airport, and Land Fund Budget were scheduled for January 20/21, 2021.

In addition, the budget submissions to the Budget Committee were available on eagenda.citypa.ca and the City's website for the public's review.

COMMUNICATION AND/OR ANNOUNCEMENT PLAN:

Once the 2021 Water Utility Fund Budget is approved by Council it will be posted on the City of Prince Albert website.

FINANCIAL IMPLICATIONS:

The 2021 budget reflects increased revenue of \$345,020 as a result of Administration's recommended increase to certain Water and Sewer Utility rates and fees. Overall budgeted expenses have increased by \$1,140,200 for 2021.

A summary of the 2021 budget's impact 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.

OTHER CONSIDERATIONS/IMPLICATIONS:

There are no options to the recommendation, official community plan, policy, or privacy implications or considerations.

STRATEGIC PLAN:

Fiscal Management & Accountability: Administration's recommendation is based on cost effectiveness and the belief that the City's current level of service will be maintained or improved as a result of the submitted budget.

PUBLIC NOTICE:

Public Notice pursuant to the Public Notice Bylaw No. 24 of 2015 is not required.

ATTACHMENTS:

1. 2021 Water Utility Fund Budget
2. January 20, 2021 Budget Committee Minutes – Water Utility Fund Budget (Unofficial)
3. January 21, 2021 Budget Committee Minutes – Water Utility Fund Budget (Unofficial)

Written by: Cheryl Tkachuk, Director of Financial Services

Approved by: City Manager