



**North Red Deer
Regional Water
Services
Commission**

5432 56th Avenue
Lacombe, Alberta T4L 1E9

Memorandum

TO: Commission Board Members

FROM: Justin de Bresser, Administrator

DATE: ~~April 8, 2019~~ June 17, 2019

RE: 2019-2023 Budget Projections – Update REF: 47/934
(2019)

Purpose

To present to the Board for discussion the Commission's 2019-2023 Operational Budget.

Background

Administration has prepared an updated 5 year operations budget for the Regional Water Services Commission. This document is intended to provide the Board with a projection of the expected operations of the Commission for the period 2019-2023. The document is a planning document and is the basis for the 2019 operating budget.

The document is 3 pages. The first page outlines the cost escalators and projected City of Red Deer water rates. Page 2 outlines the forecasted water volumes for the Commission. Page 3 outlines the projected budget for the next 5 years.

At the last board meeting, Commission members indicated that accounting for depreciation should be included in rates. This is now included in the 5 year projections.

Issue Analysis

The projections have been prepared based on the following assumptions:

1. Water forecasts based on slower water growth from previous years due to slower development growth.
2. Water loss based on 1% annual growth
3. Water forecast done on year by year basis.
4. City rate applied based on an average monthly consumption for first two months (non-seasonally adjusted).
5. City of Red Deer water volume assumed to stop in 2019 due to sale of water line
6. Operations based on current customer base and current asset inventory.
7. Deploying in full the rate stabilization reserve in 2019. This has reduced the members rates just for 2019.
8. No True Up amounts are worked into this plan

9. No change to debt payments.
10. Maintain annual operating surplus of ~~\$62,000 to \$151,000~~ **\$21,000 to \$74,000** per year.
11. Impact of potential sale of a portion of line to the City is not yet factored in.
12. **Deprecation maintained at \$465,610 throughout the 5 year plan.**

Administration is awaiting an updated 5 year rate projection from the City and is using most recent information from the City.

The plan itself calls for a lower rate in 2019 and then returns to a normal range in 2020 – 2023. This plan has taken out full accounting for depreciation in future years. Stable water demand and stable non water supply costs has rates ranging from \$2.02 to \$2.17 per cube in 2023. . The plan maintains a projected surplus annually that could be applied against future rate increases and/or offset lower than expected water sales. The target is for an average 2.3% annual increase from years 2021 – 2023.

Given the projected water rate increases from the City, the Commission's rate is expected to increase starting in 2019 even with the application of true up reserves.

The 2019 - 2023 plan shows the rates ranging from \$1.67 to \$2.29 over the 5 years. Once again the impact of the sale of the water line to Red Deer and the extension of the water services to the First Nations are not reflective in the in this forecast.

Alternatives

1. The report is prepared for information. Administration is seeking input from the Board on any possible changes. No other alternatives are proposed at this time.

Attachment

- 2019-2023 Projected Operations Budget – North Red Deer Water Services Commission

Action/Recommendation

- Administration is recommending that this report be received for information.



North Red Deer River Water Services Commission

2019-2023 Projected Operating Budget

June 17 , 2019

**North Red Deer River Water Services Commission
2019 -2023 Assumptions**

| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <u>City of Red Deer Rate</u> | 1.50 | 1.53 | 1.56 | 1.59 | 1.62 |
| % Increase | 2.0% | 2.0% | 2.0% | 1.9% | 1.9% |
| | | | | | |
| <u>Cost Escalators</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
| Rates | | | | | |
| General | 1% | 1% | 1% | 1% | 1% |
| Utilities | 5% | 5% | 5% | 5% | 5% |
| Materials | 3% | 3% | 3% | 3% | 3% |
| Contract | 2% | 2% | 2% | 2% | 2% |
| | | | | | |
| <u>Cost of Water</u> | | | | | |
| Lacombe | 2,035,991 | 2,087,088 | 2,138,651 | 2,190,670 | 2,243,165 |
| Ponoka | 1,076,918 | 1,102,855 | 1,128,972 | 1,155,278 | 1,181,790 |
| Blackfalds | 1,234,031 | 1,283,884 | 1,335,235 | 1,388,134 | 1,442,610 |
| Lacombe County (thru Blackfalds) | 51,975 | 53,550 | 55,146 | 56,763 | 58,417 |
| Ponoka County | 14,445 | 15,025 | 15,631 | 16,250 | 16,880 |
| City of Red Deer | 5,952 | - | - | - | - |
| Water Loss | 88,739 | 90,959 | 93,210 | 95,480 | 97,767 |
| Subtotal | 4,508,051 | 4,633,361 | 4,766,845 | 4,902,575 | 5,040,629 |
| | | | | | |
| <u>Water Sales Required</u> | | | | | |
| Cost of Water | 4,508,051 | 4,633,361 | 4,766,845 | 4,902,575 | 5,040,629 |
| Other Expenses | 2,012,705 | 2,004,454 | 2,009,453 | 2,014,566 | 2,019,797 |
| Less Non Water Revenue | - 1,504,111 | - 216,920 | - 218,324 | - 219,742 | - 221,174 |
| Plus Surplus | | | | | |
| Subtotal | 5,016,645 | 6,420,895 | 6,557,974 | 6,697,399 | 6,839,252 |
| | | | | | |
| Water Sales Volume (excl loss) | 3,005,366 | 3,028,340 | 3,055,670 | 3,083,380 | 3,111,500 |
| | | | | | |
| <u>Regional Water Rate</u> | 1.670 | 2.170 | 2.246 | 2.272 | 2.298 |
| | | 29.94% | 3.50% | 1.16% | 1.14% |

**North Red Deer River Water Services Commission
2019 -2023 Water Sales Forecast**

Historical Consumption

| | Actual <u>2011</u> | Actual <u>2012</u> | Actual <u>2013</u> | Actual <u>2014</u> | Actual <u>2015</u> | Actual <u>2016</u> |
|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| City of Lacombe | 1,150,948 | 1,192,004 | 1,240,649 | 1,328,507 | 1,361,741 | 1,258,887 |
| Town of Ponoka | 700,402 | 699,781 | 699,205 | 706,460 | 715,080 | 696,163 |
| Town of Blackfalds | 526,983 | 564,434 | 593,449 | 678,191 | 752,324 | 715,517 |
| Lacombe County | - | - | - | - | | 22,016 |
| Ponoka County | 3,560 | 4,662 | 5,771 | 7,336 | 8,383 | 9,721 |
| Water Loss | 39,407 | 11,252 | 49,987 | 37,509 | 52,169 | 14,696 |
| | <u>2,421,300</u> | <u>2,472,133</u> | <u>2,589,061</u> | <u>2,758,003</u> | <u>2,889,697</u> | <u>2,717,000</u> |
| Change | | | | | | |
| City of Lacombe | 1.36% | 3.57% | 4.08% | 7.08% | 2.50% | -7.55% |
| Town of Ponoka | -0.46% | -0.09% | -0.08% | 1.04% | 1.22% | -2.65% |
| Town of Blackfalds | 0.46% | 7.11% | 5.14% | 14.28% | 10.93% | -4.89% |
| Lacombe County | | | | | | |
| Ponoka County | 31.61% | 30.96% | 23.79% | 27.12% | 14.27% | 15.96% |
| Water Loss | -18.41% | -71.45% | 344.25% | -24.96% | 39.08% | -71.83% |
| Water Loss (% of Total) | 1.63% | 0.46% | 1.93% | 1.36% | 1.81% | 0.54% |

Sales Volume Forecast

| % Changes | Actual <u>2016</u> | Actual <u>2017</u> | Actual <u>2018</u> | Projected <u>2019</u> | Projected <u>2020</u> | Projected <u>2021</u> |
|------------------------------|-------------------------|-------------------------|-------------------------|----------------------------------|--------------------------|--------------------------|
| City of Lacombe | -7.6% | 1.8% | 4.8% | 1.0% | 0.5% | 0.5% |
| Town of Ponoka | -2.6% | -1.1% | 3.3% | 1.0% | 0.4% | 0.4% |
| Town of Blackfalds (excludir | -4.9% | 7.8% | 5.6% | 1.00% | 2.0% | 2.0% |
| Lacombe County (County E | 0.0% | 32.2% | 17.9% | 1.00% | 1.0% | 1.0% |
| Ponoka County (County Esti | 16.0% | 2.9% | -8.3% | 5.0% | 2.0% | 2.0% |
| City of Red Deer | n/a | 0.0% | -67.72% | 1.0% | n/a | n/a |
| Water Loss | -71.8% | 280.4% | 4.8% | 1.0% | 0.5% | 0.5% |
| | Actual <u>2016</u> | Actual <u>2017</u> | Actual <u>2018</u> | Projected <u>2019</u> | Projected <u>2020</u> | Projected <u>2021</u> |
| City of Lacombe | 1,258,887 | 1,282,142 | 1,343,888 | 1,357,327 | 1,364,110 | 1,370,930 |
| Town of Ponoka | 696,163 | 688,423 | 710,837 | 717,945 | 720,820 | 723,700 |
| Town of Blackfalds | 715,517 | 771,407 | 814,539 | 822,687 | 839,140 | 855,920 |
| Lacombe County | 22,016 | 29,109 | 34,310 | 34,650 | 35,000 | 35,350 |
| Ponoka County | 9,721 | 10,006 | 9,171 | 9,630 | 9,820 | 10,020 |
| City of Red Deer | | 12,170 | 3,929 | 3,968 | - | - |
| Water Loss | 14,696 | 55,906 | 58,573 | 59,159 | 59,450 | 59,750 |
| | <u>2,717,000</u> | <u>2,849,163</u> | <u>2,975,247</u> | <u>3,005,366</u> | <u>3,028,340</u> | <u>3,055,670</u> |

**North Red Deer River Water Services Commission
2019 -2023 Operations Budget**

| | <u>2019</u> <u>Budget</u> | <u>2020</u> Projected | <u>2021</u> Projected | <u>2022</u> Projected | <u>2023</u> Projected |
|----------------------------------|------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Revenues | | | | | |
| Water Sales - City of Lacombe | \$ 2,345,522 | \$ 2,960,119 | \$ 3,079,109 | \$ 3,130,316 | \$ 3,181,972 |
| Water Sales - Town of Ponoka | 1,243,725 | \$ 1,564,179 | \$ 1,625,430 | \$ 1,650,812 | \$ 1,676,391 |
| Water Sales - Town of Blackfalds | 1,430,477 | \$ 1,820,934 | 1,785,231 | 1,884,708 | 1,944,650 |
| Water Sales - Lacombe County | 52,978 | \$ 75,950 | 75,191 | 78,610 | 80,315 |
| Water Sales - Ponoka County | 16,658 | \$ 21,309 | 20,897 | 22,056 | 22,765 |
| Water Sales - City of Red Deer | 1,954 | \$ - | - | - | - |
| Line Crossing Fee | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Interest Revenue | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 |
| Rebates & Dividends | 30 | 30 | 30 | 30 | 30 |
| Lacombe County Contribution | 73,385 | 70,195 | 70,897 | 71,606 | 72,322 |
| Ponoka County Contribution | 73,385 | 70,195 | 70,897 | 71,606 | 72,322 |
| Miscellaneous Revenue | | | | | |
| Rate Subsidization | 1,280,811 | - | - | - | - |
| Subtotal - Revenue | \$ 6,595,425 | \$ 6,659,411 | \$ 6,804,182 | \$ 6,986,244 | \$ 7,127,267 |

Expenses

| | | | | | |
|---------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Board Wages-City of Lacombe | \$ 600 | \$ 600 | \$ 600 | \$ 600 | \$ 600 |
| Board Wages-Town of Ponoka | 600 | 600 | 600 | 600 | 600 |
| Board Wages-Town of Blackfalds | 600 | 600 | 600 | 600 | 600 |
| Board Wages-Lacombe County | 1,400 | 1,400 | 1,400 | 1,400 | 1,400 |
| Board Wages-Ponoka County | 600 | 600 | 600 | 600 | 600 |
| Board Travel-City of Lacombe | 250 | 250 | 250 | 250 | 250 |
| Board Travel -Town of Ponoka | 250 | 250 | 250 | 250 | 250 |
| Board Travel-Town of Blackfalds | 250 | 250 | 250 | 250 | 250 |
| Board Travel-Lacombe County | 250 | 250 | 250 | 250 | 250 |
| Board Travel-Ponoka County | 250 | 250 | 250 | 250 | 250 |
| Travel- Administration | 100 | 100 | 100 | 100 | 100 |
| Membership Fees | 300 | 300 | 303 | 306 | 309 |
| Postage & Freight | 50 | 50 | 51 | 52 | 53 |
| Staff & Board Appreciation | 300 | 300 | 300 | 300 | 300 |
| Telephone - Office | 900 | 1,080 | 1,080 | 1,080 | 1,080 |
| Telephone - Operations | 8,072 | 8,072 | 8,476 | 8,900 | 9,345 |
| Management Fees | 82,984 | 56,844 | 57,981 | 59,141 | 60,324 |
| Accounting and Auditor Fees | 8,300 | 8,300 | 8,300 | 8,300 | 8,300 |
| Legal Fees | 500 | 500 | 505 | 510 | 515 |
| Other Professional Services | 16,800 | 16,800 | 16,968 | 17,138 | 17,309 |
| Equipment Repair & Maintenance | 9,500 | 9,500 | 9,595 | 9,691 | 9,788 |
| SCADA Maintenance | 9,025 | 9,025 | 9,115 | 9,206 | 9,298 |
| Insurance & Bond Premiums | 3,889 | 3,889 | 3,928 | 3,967 | 4,007 |
| Administration | 10,812 | 10,596 | 10,808 | 11,024 | 11,244 |
| Purchase of Water | 4,488,645 | 4,633,361 | 4,766,845 | 4,902,575 | 5,040,629 |
| Operations | 123,637 | 123,637 | 126,110 | 128,632 | 131,205 |
| Miscellaneous Expenses | 250 | 250 | 258 | 266 | 274 |
| Meeting Supplies | 50 | 50 | 52 | 54 | 56 |
| Office Supplies | 150 | 150 | 155 | 160 | 165 |
| General Materials & Supplies | 750 | 750 | 773 | 796 | 820 |
| Utilities-Electricity | 3,500 | 3,675 | 3,859 | 4,052 | 4,255 |
| Valves | 5,000 | 5,000 | 5,150 | 5,305 | 5,464 |
| Bank Charges & Interest | 25 | 25 | 25 | 25 | 25 |
| Debenture Interest | 539,889 | 570,359 | 538,231 | 504,637 | 469,512 |
| Debenture Principal | 736,668 | 704,542 | 736,670 | 770,264 | 805,389 |
| Amortization | 465,610 | 465,610 | 465,610 | 465,610 | 465,610 |
| Subtotal - Expenses | \$ 6,520,756 | \$ 6,637,815 | \$ 6,776,298 | \$ 6,917,141 | \$ 7,060,426 |

| | | | | | |
|------------------------------|------------------|------------------|------------------|------------------|------------------|
| Surplus/Deficit (+/-) | \$ 74,669 | \$ 21,596 | \$ 27,884 | \$ 69,103 | \$ 66,841 |
|------------------------------|------------------|------------------|------------------|------------------|------------------|

Rate Stabilization Reserve

| | | | | | |
|-----------------|------------------|---|---|---|---|
| Opening Balance | 1,280,811 | - | - | - | - |
| Annual True Up | - | - | - | - | - |
| Withdrawal | <u>1,280,811</u> | | | | |
| Closing Balance | - | - | - | - | - |