

North Red Deer River Water Services Commission



2020 Operating Budget
Final

Prepared by Justin de Bresser
November 4th, 2019

2020 Operating Budget

The North Red Deer River Water Services Commission transports potable water from the City of Red Deer to its member municipalities. Currently, the Commission delivers water to all its members. The 2020 budget forecasts revenues based on the water demand estimates provided by the member municipalities. The largest costs to the Commission are the purchase of water from the City of Red Deer and debenture payments.

The following is a summary of changes included in the 2020 operating budget followed by the budget itself.

Water Costs

The 2020 operating budget is based on an estimated **2.6%** increase in water rates from the City of Red Deer. The budget assumes rate from the City of Red Deer may increase from \$1.50 to **\$1.54** per cubic metre effective March 1st, 2020. The Commission has received confirmation that the City is proposing the above rate to their Council and they expect Council will accept the rate proposal. However Council will not ratify the rate in their Utility Bylaw until February 2020. The details of the rate and impact on the budget are outlined on page 3.

Water Sales Volumes

Water sales volumes for 2020 have been reviewed based on the estimates and actuals from the 2019 budget. Actual consumption for 2019 is estimated to be slightly lower than forecasted by 2.42%. Administration is forecasting slower growth in the coming years and this is reflective in the 2020 estimates. Included in the estimate is a change to the water loss estimate. Water forecasts are outlined in page 4 of this document.

Other Operating Revenues and Expenditures

In addition to water purchases and sales volume estimate adjustments, Administration has also reviewed all expenses for the Commission and made a number of adjustments. The following is a summary of those adjustments. The operating budget starts on page 5.

Revenues

1. Increase in line crossing fees of \$500 to reflect an increase in crossing fees.
2. Increase County contributions based on agreement **(additional details have been enclosed)**
3. Increase of \$25,000 in interest revenue to reflect bond portfolio.

Expenses

4. Decrease in Telephone – Office by \$180.
5. Increase of \$1,140 in Management Fees as per contract.
6. Increase in \$300 in Accounting and Auditor Fees
7. Water purchases are based on projected water volumes and the new City of Red Deer rate (Estimated as of October 28th).
8. Amortization remains unchanged. As this is a non-cash expense, the reserve policy will see this transferred to capital reserves at the end of the year in 2020.
9. Funding from rate stabilization reserve to offset rate increase from City as per 5 year plan. Administration is projecting a rate stabilization year end balance of \$215,000 to carry over to 2020 to offset the 2020 rate.

Water Rates

Based on the estimated **2.60%** increase from the City of Red Deer, Administration is proposing to increase the rate to **\$2.12** per cubic meter. This is a **2.42%** increase over the 2018 rate of \$2.07 per cubic meter. The operating surplus is projected to be **\$1.31** at the end of 2020.

**North Red Deer River Water Services Commission
2020 Water Sales Forecast**

2019 City of Red Deer Rate	\$ 1.500
2020 City of Red Deer Projected Rate	\$ 1.540
 % Change	 2.60%

<u>Water Purchases</u>	<u>January</u>	<u>February</u>	<u>March to December</u>	<u>Total</u>
Lacombe	110,000	95,000	1,113,262	1,318,262
Ponoka	58,000	51,000	580,069	689,069
Blackfalds	66,000	59,000	735,878	860,878
Ponoka County	500	700	8,800	10,000
City of Red Deer (Not included)	-	-	-	-
Water Loss	5,000	4,400	47,065	56,465
 Subtotal	 239,500	 210,100	 2,485,074	 2,934,674

Price per m3 (excludes Red Deer	\$ 1.50	\$ 1.50	\$ 1.54
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<u>Cost of Water</u>				
City	\$ 165,000	\$ 142,500	\$ 1,714,424	\$ 2,021,924
Ponoka	\$ 87,000	\$ 76,500	\$ 893,307	\$ 1,056,807
Blackfalds	\$ 99,000	\$ 88,500	\$ 1,133,251	\$ 1,320,751
Ponoka County	\$ 750	\$ 1,050	\$ 13,552	\$ 15,352
City of Red Deer	\$ -	\$ -	\$ -	\$ -
Water Loss	\$ 7,500	\$ 6,600	\$ 72,480	\$ 86,580
 Subtotal	 \$ 359,250	 \$ 315,150	 \$ 3,827,014	 \$ 4,501,414

Other Expenses (Includes Amortization) \$ 2,041,995.79

Total Operating Costs \$ 6,543,410.00

Less non-water Revenue & Delivery Revenue from City of Red Deer \$ 441,608.00

Total Water Sale Revenue Required \$ 6,101,802.00

<u>Water Sales Required</u>				
City	\$ 233,200.00	\$ 201,400.00	\$ 2,360,115.65	\$ 2,794,715.65
Ponoka	\$ 122,960.00	\$ 108,120.00	\$ 1,229,747.28	\$ 1,460,827.28
Blackfalds	\$ 139,920.00	\$ 125,080.00	\$ 1,560,060.38	\$ 1,825,060.38
Ponoka County	\$ 1,060.00	\$ 1,484.00	\$ 18,656.00	\$ 21,200.00
 Subtotal	 \$ 497,140.00	 \$ 436,084.00	 \$ 5,168,579.31	 \$ 6,101,803.31
Operating Surplus				\$ 1.31
Price per m3	\$ 2.1200	\$ 2.1200	\$ 2.1200	

North Red Deer River Water Services Commission
Lacombe County and Ponoka County Estimates
for 2020

Commission Expenses		Notes
Board Remuneration	\$ 3,800.00	
Board Travel	\$ 1,250.00	
Administration Travel	\$ 100.00	
Membership Fees	\$ 300.00	
Postage	\$ 50.00	
Staff & Volunteer Appreciation	\$ 300.00	
Telephone-Office	\$ 900.00	
Management Fees	\$ 60,876.00	
Accounting and Auditor	\$ 8,300.00	
Legal	\$ 500.00	
Other Professional Services	\$ 16,800.00	Test & Alta First Call
Office Expenses	\$ 150.00	
Advertising / Promotions	\$ -	
Insurance	\$ 3,889.00	
Meeting Supplies	\$ 50.00	
Miscellaneous Expense	\$ -	
Administration Fees	\$ 11,352.00	
	<u>\$ 108,617.00</u>	
	x 20%	
	<u>\$ 21,723.40</u>	
Repayment of Debt Obligations	\$ 1,276,557.00	
	x 4.1%	
	<u>\$ 52,338.84</u>	
Total Annual Contribution	\$ 74,062.24	
Less 2020 Payments	<u> </u>	
Remaining 2020 Contribution	<u><u>\$ 74,062.24</u></u>	

Budget Department by Category

From Category: 47 To Category: 47 Budget Detail: PROVISIONAL BUDGET
 Account Code: 06-1-??-????? To : 06-2-??-????? Year: 2020

Account Code	Account Description	CC1	CC2	CC3	2019 ACTUAL VALUES	2019 FINAL BUDGET	2020 PROVISIONAL BUDGET	Variance	Var %
REGIONAL WATER COMMISSION									
REVENUES									
Regional Water Revenues									
REVENUES									
06-1-47-35110	Water Sales - City of Lacc				(1,925,403)	(2,345,522)	(2,794,715)	(449,193)	16.07
06-1-47-35120	Water Sales - Town of Poi				(999,566)	(1,243,725)	(1,460,826)	(217,101)	14.86
06-1-47-35130	Water Sales - Town of Bla				(1,254,659)	(1,483,455)	(1,825,061)	(341,606)	18.72
06-1-47-35140	Water Sales - Ponoka Co				(24,645)	(16,658)	(21,200)	(4,542)	21.42
06-1-47-35150	Water Sales - City of Red				(1,528)	(1,954)	(1,954)	0	0.00
06-1-47-42200	Line Crossing Agreement				(250)	(1,500)	(1,500)	0	0.00
06-1-47-55100	Interest Revenue				(36,440)	(75,000)	(75,000)	0	0.00
06-1-47-55500	Rebates & Dividends				0	(30)	(30)	0	0.00
06-1-47-85140	Lacombe County Contribu				0	(73,385)	(74,062)	(677)	0.91
06-1-47-85150	Ponoka County Contributi				0	(73,385)	(74,062)	(677)	0.91
06-1-47-92100	Transfer from Reserves				0	(1,280,811)	(215,000)	1,065,811	-495.73
Total REVENUES					(4,242,491)	(6,595,425)	(6,543,410)	(52,015)	
EXPENSES									
06-2-47-11110	Board Wages-City of Lacc				450	600	600	0	0.00
06-2-47-11120	Board Wages-Town of Poi				300	600	600	0	0.00
06-2-47-11130	Board Wages-Town of Bla				600	600	600	0	0.00
06-2-47-11140	Board Wages-Lacombe C				1,400	1,400	1,400	0	0.00
06-2-47-11150	Board Wages-Ponoka Co				600	600	600	0	0.00
06-2-47-21110	Board Travel-City of Laco				0	250	250	0	0.00
06-2-47-21120	Board Travel -Town of Poi				59	250	250	0	0.00
06-2-47-21130	Board Travel-Town of Blac				59	250	250	0	0.00
06-2-47-21140	Board Travel-Lacombe Cc				32	250	250	0	0.00
06-2-47-21150	Board Travel-Ponoka Cou				119	250	250	0	0.00
06-2-47-21170	Travel-Administration				0	100	100	0	0.00
06-2-47-21400	Membership Fees				114	300	300	0	0.00
06-2-47-21500	Postage & Freight				39	50	50	0	0.00
06-2-47-21600	Staff & Volunteer Appreci				0	300	300	0	0.00
06-2-47-21700	Telephone - Office				258	900	900	0	0.00
06-2-47-21701	Telephone - Operations				6,072	8,072	16,772	8,700	51.87
06-2-47-23000	Management Fees				48,320	82,984	60,876	(22,108)	-36.32
06-2-47-23100	Accounting and Auditor Fe				0	8,300	8,300	0	0.00
06-2-47-23200	Legal Fees				749	500	500	0	0.00
06-2-47-23900	Other Professional Servic				7,467	16,800	11,800	(5,000)	-42.37
06-2-47-25300	Equipment Repair & Main				1,892	9,500	9,500	0	0.00
06-2-47-25301	SCADA Maintenance				5,776	9,025	6,500	(2,525)	-38.85
06-2-47-27400	Insurance & Bond Premiu				4,218	3,889	3,889	0	0.00
06-2-47-34200	Administration				9,010	10,812	11,352	540	4.76
06-2-47-35100	Purchase of Water				3,312,765	4,488,645	4,501,414	12,769	0.28
06-2-47-35200	Operations				74,437	123,637	129,819	6,182	4.76
06-2-47-51000	Miscellaneous Expenses				23	250	250	0	0.00
06-2-47-51100	Meeting Supplies				88	50	50	0	0.00
06-2-47-51400	Office Supplies				0	150	150	0	0.00
06-2-47-52400	General Materials & Supp				655	750	750	0	0.00
06-2-47-54400	Utilities-Electricity				3,162	3,500	3,500	0	0.00
06-2-47-56400	Valves				0	5,000	5,000	0	0.00
06-2-47-81400	Bank Charges & Interest				46	25	25	0	0.00
06-2-47-83100	Debenture Interest				315,780	539,889	504,636	(35,253)	-6.99
06-2-47-83200	Debenture Principal				388,433	736,668	770,263	33,595	4.36
06-2-47-99000	Amortization				0	465,610	465,610	0	0.00

From Category: 47 **To Category:** 47 **Budget Detail:** PROVISIONAL BUDGET
Account Code: 06-1-??-????? **To :** 06-2-??-????? **Year:** 2020

Account Code	Account Description	CC1	CC2	CC3	2019 ACTUAL VALUES	2019 FINAL BUDGET	2020 PROVISIONAL BUDGET	Variance	Var %
	Total EXPENSES				4,182,923	6,520,756	6,517,656	(3,100)	
	Regional Water Revenues (Surplus)/Deficit				(59,568)	(74,669)	(25,754)	(48,915)	
	Report Total -->				(59,568)	(74,669)	(25,754)	(48,915)	

Budget Department Report

2020 PROVISIONAL BUDGET

Account Code ID	Account Name Description	Status	Quantity	Rate	Burden %	Amount
06-1-47-35110	Water Sales - City of Lacombe					
1173	January Purchases	A	110000.00	-2.12	0.0000	-233,200
1173	February Purchases	A	95000.00	-2.12	0.0000	-201,400
1173	March to December Purchases	A	1113262.00	-2.12	0.0000	-2,360,115
	Total					-2,794,715
06-1-47-35120	Water Sales - Town of Ponoka					
1174	January Purchases	A	58000.00	-2.12	0.0000	-122,960
1174	February Purchases	A	51000.00	-2.12	0.0000	-108,120
1174	March to December Purchases	A	580069.00	-2.12	0.0000	-1,229,746
	Total					-1,460,826
06-1-47-35130	Water Sales - Town of Blackfalds					
1175	January Purchases	A	66000.00	-2.12	0.0000	-139,920
1175	February Purchases	A	59000.00	-2.12	0.0000	-125,080
1175	March to December Purchases	A	735878.00	-2.12	0.0000	-1,560,061
	Total					-1,825,061
06-1-47-35140	Water Sales - Ponoka County					
2413	January Purchases	A	500.00	-2.12	0.0000	-1,060
2413	February Purchases	A	700.00	-2.12	0.0000	-1,484
2413	March to December Purchases	A	8800.00	-2.12	0.0000	-18,656
	Total					-21,200
06-1-47-35150	Water Sales - City of Red Deer					
4121	2020 Delivery Charges - Jan - Feb	A	579.00	-0.49	0.0000	-284
4121	2020 Delivery Charges - Mar - Dec	A	3409.00	-0.49	0.0000	-1,670
	Total					-1,954
06-1-47-42200	Line Crossing Agreement Fee					
3753	Based on \$250 per applicant	A	1.00	-1500.00	0.0000	-1,500
	Total					-1,500
06-1-47-55100	Interest Revenue					
2566	Interest @2% on Bank Account	A	1.00	-75000.00	0.0000	-75,000
	Total					-75,000
06-1-47-55500	Rebates & Dividends					
2567	AADM&C	A	1.00	-30.00	0.0000	-30
	Total					-30
06-1-47-85140	Lacombe County Contribution					
1176	2020 Contribution	A	1.00	-74062.00	0.0000	-74,062
	Total					-74,062

2020 PROVISIONAL BUDGET

Account Code ID	Account Name Description	Status	Quantity	Rate	Burden %	Amount
06-1-47-85150	Ponoka County Contribution					
1177	2020 Contribution	A	1.00	-74062.00	0.0000	-74,062
	Total					-74,062
06-1-47-92100	Transfer from Reserves					
4122	Rate Rate Stabilization	A	1.00	-215000.00	0.0000	-215,000
	Total					-215,000
06-2-47-11110	Board Wages-City of Lacombe					
1080	4 Meetings per Year	A	1.00	600.00	0.0000	600
	Total					600
06-2-47-11120	Board Wages-Town of Ponoka					
1081	4 Meetings	A	1.00	600.00	0.0000	600
	Total					600
06-2-47-11130	Board Wages-Town of Blackfalds					
1082	4 Meetings Per Year	A	1.00	600.00	0.0000	600
	Total					600
06-2-47-11140	Board Wages-Lacombe County					
1083	4 Meetings	A	1.00	1400.00	0.0000	1,400
	Total					1,400
06-2-47-11150	Board Wages-Ponoka County					
1084	4 Meetings	A	1.00	600.00	0.0000	600
	Total					600
06-2-47-21110	Board Travel-City of Lacombe					
1085	2020 Budget	A	1.00	250.00	0.0000	250
	Total					250
06-2-47-21120	Board Travel -Town of Ponoka					
1086	2020 Budget	A	1.00	250.00	0.0000	250
	Total					250
06-2-47-21130	Board Travel-Town of Blackfalds					
1087	2020 Budget	A	1.00	250.00	0.0000	250
	Total					250
06-2-47-21140	Board Travel-Lacombe County					
1088	2020 Budget	A	1.00	250.00	0.0000	250
	Total					250

2020 PROVISIONAL BUDGET

Account Code ID	Account Name Description	Status	Quantity	Rate	Burden %	Amount
06-2-47-21150 Board Travel-Ponoka County						
1089	2020 Budget	A	1.00	250.00	0.0000	250
Total		Board Travel-Ponoka County				250
06-2-47-21170 Travel-Administration						
1090	Travel & Expenses	A	1.00	100.00	0.0000	100
Total		Travel-Administration				100
06-2-47-21400 Membership Fees						
6	AADM&C	A	1.00	300.00	0.0000	300
Total		Membership Fees				300
06-2-47-21500 Postage & Freight						
7	Postage & Handling	A	1.00	50.00	0.0000	50
Total		Postage & Freight				50
06-2-47-21600 Staff & Volunteer Appreciation						
4120	Former Board Recognition	A	1.00	300.00	0.0000	300
Total		Staff & Volunteer Appreciation				300
06-2-47-21700 Telephone - Office						
8	Administrative Cell - New contract	A	1.00	900.00	0.0000	900
Total		Telephone - Office				900
06-2-47-21701 Telephone - Operations						
1167	Monitoring Cell Phones (\$672 per month)	A	1.00	8072.00	0.0000	8,072
1167	Cloud Hosting SCADA (\$725 per Month)	A	1.00	8700.00	0.0000	8,700
Total		Telephone - Operations				16,772
06-2-47-23000 Management Fees						
9	Mgt - Jan to Dec \$5073 per month	A	1.00	60876.00	0.0000	60,876
Total		Management Fees				60,876
06-2-47-23100 Accounting and Auditor Fees						
1104	Auditor - Based on Contract	A	1.00	8300.00	0.0000	8,300
Total		Accounting and Auditor Fees				8,300
06-2-47-23200 Legal Fees						
1091	Legal Fees	A	1.00	500.00	0.0000	500
Total		Legal Fees				500
06-2-47-23900 Other Professional Services						
1092	Alberta First Call	A	1.00	6500.00	0.0000	6,500

2020 PROVISIONAL BUDGET

Account Code ID	Account Name Description	Status	Quantity	Rate	Burden %	Amount
1092	Other	A	1.00	1000.00	0.0000	1,000
1092	Water Testing	A	1.00	2800.00	0.0000	2,800
1092	General Engineering	A	1.00	1500.00	0.0000	1,500
Total		Other Professional Services				11,800
06-2-47-25300	Equipment Repair & Maintenance					
1170	Repair & Maintenance	A	1.00	9500.00	0.0000	9,500
Total		Equipment Repair & Maintenance				9,500
06-2-47-25301	SCADA Maintenance					
1169	SCADA Maintenance	A	1.00	6500.00	0.0000	6,500
Total		SCADA Maintenance				6,500
06-2-47-26200	Building Rent					
14	Rent	A	1.00	0.00	0.0000	0
Total		Building Rent				0
06-2-47-27400	Insurance & Bond Premiums					
10	Insurance	A	1.00	3889.00	0.0000	3,889
Total		Insurance & Bond Premiums				3,889
06-2-47-34200	Administration					
19	Acct - Jan to Dec \$946 Per Month	A	1.00	11352.00	0.0000	11,352
Total		Administration				11,352
06-2-47-35100	Purchase of Water					
1171	January to February Purchases	A	449600.00	1.50	0.0000	674,400
1171	March to December Purchases	A	2485074.00	1.54	0.0000	3,827,014
1171	City of Red Deer -Jan to Feb	A	1.00	0.00	0.0000	0
1171	City of Red Deer - Mar to Dec	A	1.00	0.00	0.0000	0
Total		Purchase of Water				4,501,414
06-2-47-35200	Operations					
1168	Operation Expenses	A	1.00	129819.00	0.0000	129,819
Total		Operations				129,819
06-2-47-51000	Miscellaneous Expenses					
11	Miscellaneous	A	1.00	250.00	0.0000	250
Total		Miscellaneous Expenses				250
06-2-47-51100	Meeting Supplies					
3089	Commission Meetings	A	1.00	50.00	0.0000	50
Total		Meeting Supplies				50
06-2-47-51400	Office Supplies					

2020 PROVISIONAL BUDGET

Account Code ID	Account Name Description	Status	Quantity	Rate	Burden %	Amount
12	Paper/Forms etc.	A	1.00	150.00	0.0000	150
	Total	Office Supplies				150
06-2-47-52400	General Materials & Supplies					
1761		A	1.00	750.00	0.0000	750
	Total	General Materials & Supplies				750
06-2-47-54400	Utilities-Electricity					
1166	Meter Stations	A	1.00	3500.00	0.0000	3,500
	Total	Utilities-Electricity				3,500
06-2-47-56400	Valves					
2568	Repairs	A	1.00	5000.00	0.0000	5,000
	Total	Valves				5,000
06-2-47-81400	Bank Charges & Interest					
15		A	1.00	25.00	0.0000	25
	Total	Bank Charges & Interest				25
06-2-47-83100	Debenture Interest					
1763	Laon No. 4000001 (\$2,000,000 loan)	A	1.00	54000.00	0.0000	54,000
1763	Loan No. 4000002 (\$17,000,000)	A	1.00	450636.00	0.0000	450,636
	Total	Debenture Interest				504,636
06-2-47-83200	Debenture Principal					
1172	Loan No. 4000001 (\$2,000,000)	A	1.00	79523.00	0.0000	79,523
1172	Loan No. 4000002 (17,000,000)	A	1.00	690740.00	0.0000	690,740
	Total	Debenture Principal				770,263
06-2-47-99000	Amortization					
3090		A	1.00	465610.00	0.0000	465,610
	Total	Amortization				465,610

North Red Deer River Water Services Commission



2020 Capital Budget
Final

Prepared by Justin de Bresser
November 4th, 2019

2020 Capital Budget

The North Red Deer River Water Services Commission transports potable water from the City of Red Deer to its member municipalities. Currently, the Commission delivers water to all its members. The 2020 capital budget includes one initiative at a cost of \$119,840 funded from the capital reserve. The 2020 starting year balance of the Capital Reserve will be \$3,618,354.

Asset Management Plan Development - \$119,840

The Commission's main distribution lines were first put into operation in 2006 using contemporary materials with a significantly long-life cycle. The laterals connecting to the local municipal distribution were often existing infrastructure that had been repurposed or reused. For example, waterlines supplying raw water from wells to the local reservoirs were reused and repurposed to transport potable water from the Commission main line to the local reservoir, abandoning the connection to the well. These repurposed assets have successfully reduced the capital cost for the Regional Water System and have maximized life of existing built assets.

However, the Commission also has access to very little corporate information and has limited knowledge of this portion of their inventory. Key information such as location, material, condition, performance history, and expected useful life is limited or non-existent. This information gap presents a material risk to the Commission's goal of providing potable water in a highly reliable and secure fashion.

An unplanned or premature failure of a lateral can create a situation where a member community may be without a direct supply of potable water until a repair can be completed. Additionally, a class of assets that are near or at the end of their life can experience increased failure rates. The costs of unplanned repair and maintenance can create a significant draw on Commission resources.

The mainline from Red Deer to Ponoka was constructed in 2005-2006 has several years remaining until major replacements or upgrades are needed. However, a proactive asset management plan for this portion of the line will also benefit the Commission's long term financial plan. As the inventory of the mainline assets are known, this portion will focus less on the inventory and condition and more on the Level of Service (LOS) Risk and future financial planning.

Lastly, as effective governors and stewards of the member's collective assets, the Commission has an obligation to be actively and appropriately assessing risk—ensuring management is proactively viewing Commission's operations and making decisions to the appropriate levels of service and resultant costs. The development of an Asset Management Plan will aid the Commission in exercising these fiduciary duties.