

North Red Deer River Water Services Commission



2020 Operating Budget
Draft

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 1.96% 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 \$1.53 per cubic metre effective March 1st, 2020. The Commission expects to receive a formal letter from the City at the end of November. 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
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 1.96% increase from the City of Red Deer, Administration is proposing to increase the rate to \$2.11 per cubic meter. This is a 1.9% increase over the 2018 rate of \$2.07 per cubic meter. The operating surplus is projected to be \$21,824 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	\$ 1.530
 % Change	 1.96%

Water Purchases	January	February	March to December	Total
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)	 1.5000	 1.5000	 1.5300	
 <u>Cost of Water</u>				
City	165,000	142,500	1,703,291	2,010,791
Ponoka	87,000	76,500	887,506	1,051,006
Blackfalds	99,000	88,500	1,125,893	1,313,393
Ponoka County	750	1,050	13,464	15,264
City of Red Deer	-	-	-	-
Water Loss	7,500	6,600	72,010	86,110
 Subtotal	 359,250	 315,150	 3,802,163	 4,476,563
 Other Expenses (Includes Amortization)				 <u>2,016,241.52</u>
 Total Operating Costs				 6,492,805.00
 Less non-water Revenue & Delivery Revenue from City of Red Deer				 <u>441,608.00</u>
 Total Water Sale Revenue Required				 6,051,197.00
 <u>Water Sales Required</u>				
City	232,100.00	200,450.00	2,348,983.03	2,781,533.03
Ponoka	122,380.00	107,610.00	1,223,946.58	1,453,936.58
Blackfalds	139,260.00	124,490.00	1,552,701.61	1,816,451.61
Ponoka County	1,055.00	1,477.00	18,568.00	21,100.00
 Subtotal	 494,795.00	 434,027.00	 5,144,199.22	 6,073,021.22
Operating Surplus				21,824.22
Price per m3	\$ 2.1100	\$ 2.1100	\$ 2.1100	
 Rate Increase				 0.00%

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

	2019 Projected			2019 Budget	Variance
	Jan to Sep	Oct to Dec	Total		
City of Lacombe	975,210	330,000	1,305,210	1,357,327	-3.99%
Town of Ponoka	517,247	165,000	682,247	717,945	-5.23%
Town of Blackfalds	639,354	213,000	852,354	857,338	-0.58%
Lacombe County	-	-	-	20,200	0.00%
Ponoka County	14,050	2,700	16,750	9,629	42.51%
City of Red Deer					0.00%
Water Loss	44,839	14,946	59,785	24,566	58.91%
	2,190,700	725,646	2,916,346	2,987,005	-2.42%

2020 (Estimated)

	2020 (Estimated)		March to	
	January	February	December	Total
City of Lacombe	110,000	95,000	1,113,262	1,318,262
Town of Ponoka	58,000	51,000	580,069	689,069
Town of Blackfalds	66,000	59,000	735,878	860,878
Ponoka County	500	700	8,800	10,000
City of Red Deer	450	300	3,218	3,968
Water Loss	5,000	4,400	47,065	56,465
	239,950	210,400	2,488,292	2,938,642

Historical

	Actual	Actual	Actual	Actual	Estimated	Estimated
	2015	2016	2017	2018	2019	2020
City of Lacombe	1,361,741	1,258,887	1,282,142	1,343,888	1,305,210	1,318,262
Town of Ponoka	715,080	696,163	688,423	710,837	682,247	689,069
Town of Blackfalds	752,324	737,533	800,516	848,849	852,354	860,878
Ponoka County	8,383	9,721	10,006	9,171	16,750	10,000
City of Red Deer		-	12,170	3,929	3,929	3,968
Water Loss	52,169	14,696	59,785	55,906	55,906	56,465
	2,889,697	2,717,000	2,853,042	2,972,580	2,916,396	2,938,642

City of Lacombe	2.50%	-7.55%	1.85%	4.82%	-2.88%	0.97%
Town of Ponoka	1.22%	-2.65%	-1.11%	3.26%	-4.02%	0.96%
Town of Blackfalds	10.93%	-1.97%	8.54%	6.04%	0.41%	1.00%
Ponoka County	14.27%	15.96%	2.93%	-8.34%	82.64%	-73.60%
City of Red Deer			0.00%	0.00%	100.00%	1.00%
Water Loss	39.08%	-71.83%	306.81%	-6.49%	0.00%	1.00%
Total	4.77%	-5.98%	5.01%	4.19%	-1.89%	0.75%

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 PROVISIONA L BUDGET	Variance	Var %
REGIONAL WATER COMMISSION									
REVENUES									
Regional Water Revenues									
REVENUES									
06-1-47-35110	Water Sales - City of Lacc				(1,733,346)	(2,345,522)	(2,781,533)	(436,011)	15.68
06-1-47-35120	Water Sales - Town of Poi				(908,933)	(1,243,725)	(1,453,936)	(210,211)	14.46
06-1-47-35130	Water Sales - Town of Bla				(1,136,817)	(1,483,455)	(1,816,453)	(332,998)	18.33
06-1-47-35140	Water Sales - Ponoka Co				(23,483)	(16,658)	(21,100)	(4,442)	21.05
06-1-47-35150	Water Sales - City of Red				(1,408)	(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					(3,840,677)	(6,595,425)	(6,514,630)	(80,795)	
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	4,476,563	(12,082)	-0.27
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

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 PROVISIONA L BUDGET	Variance	Var %
	Total EXPENSES				4,182,923	6,520,756	6,492,805	(27,951)	
	Regional Water Revenues (Surplus)/Deficit				342,246	(74,669)	(21,825)	(52,844)	
	Report Total -->				342,246	(74,669)	(21,825)	(52,844)	

Budget Department Report

Date: Oct 31, 2019

Time: 3:59 pm

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	-2.11	0.0000	-232,100
1173	February Purchases	A	95000.00	-2.11	0.0000	-200,450
1173	March to December Purchases	A	1113262.00	-2.11	0.0000	-2,348,983
	Total					-2,781,533
06-1-47-35120	Water Sales - Town of Ponoka					
1174	January Purchases	A	58000.00	-2.11	0.0000	-122,380
1174	February Purchases	A	51000.00	-2.11	0.0000	-107,610
1174	March to December Purchases	A	580069.00	-2.11	0.0000	-1,223,946
	Total					-1,453,936
06-1-47-35130	Water Sales - Town of Blackfalds					
1175	January Purchases	A	66000.00	-2.11	0.0000	-139,260
1175	February Purchases	A	59000.00	-2.11	0.0000	-124,490
1175	March to December Purchases	A	735878.00	-2.11	0.0000	-1,552,703
	Total					-1,816,453
06-1-47-35140	Water Sales - Ponoka County					
2413	January Purchases	A	500.00	-2.11	0.0000	-1,055
2413	February Purchases	A	700.00	-2.11	0.0000	-1,477
2413	March to December Purchases	A	8800.00	-2.11	0.0000	-18,568
	Total					-21,100
06-1-47-35150	Water Sales - City of Red Deer					
4121	2019 Delivery Charges - Jan - Feb	A	579.00	-0.49	0.0000	-284
4121	2019 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	2019 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	2018 Budget	A	1.00	250.00	0.0000	250
	Total					250
06-2-47-21120	Board Travel -Town of Ponoka					
1086	2018 Budget	A	1.00	250.00	0.0000	250
	Total					250
06-2-47-21130	Board Travel-Town of Blackfalds					
1087	2018 Budget	A	1.00	250.00	0.0000	250
	Total					250
06-2-47-21140	Board Travel-Lacombe County					
1088	2018 Budget	A	1.00	250.00	0.0000	250
	Total					250

Budget Department Report

2020 PROVISIONAL BUDGET

Account Code ID	Account Name Description	Status	Quantity	Rate	Burden %	Amount
06-2-47-21150	Board Travel-Ponoka County					
1089	2018 Budget	A	1.00	250.00	0.0000	250
	Total					250
06-2-47-21170	Travel-Administration					
1090	Travel & Expenses	A	1.00	100.00	0.0000	100
	Total					100
06-2-47-21400	Membership Fees					
6	AADM&C	A	1.00	300.00	0.0000	300
	Total					300
06-2-47-21500	Postage & Freight					
7	Postage & Handling	A	1.00	50.00	0.0000	50
	Total					50
06-2-47-21600	Staff & Volunteer Appreciation					
4120	Former Board Recognition	A	1.00	300.00	0.0000	300
	Total					300
06-2-47-21700	Telephone - Office					
8	Administrative Cell - New contract	A	1.00	900.00	0.0000	900
	Total					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					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					60,876
06-2-47-23100	Accounting and Auditor Fees					
1104	Auditor - Based on Contract - Last Year	A	1.00	8300.00	0.0000	8,300
	Total					8,300
06-2-47-23200	Legal Fees					
1091	Legal Fees	A	1.00	500.00	0.0000	500
	Total					500
06-2-47-23900	Other Professional Services					
1092	Alberta First Call	A	1.00	6500.00	0.0000	6,500

Budget Department Report

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					11,800
Other Professional Services						
06-2-47-25300	Equipment Repair & Maintenance					
1170	Repair & Maintenance	A	1.00	9500.00	0.0000	9,500
	Total					9,500
Equipment Repair & Maintenance						
06-2-47-25301	SCADA Maintenance					
1169	SCADA Maintenance	A	1.00	6500.00	0.0000	6,500
	Total					6,500
SCADA Maintenance						
06-2-47-26200	Building Rent					
14	Rent	A	1.00	0.00	0.0000	0
	Total					0
Building Rent						
06-2-47-27400	Insurance & Bond Premiums					
10	Insurance	A	1.00	3889.00	0.0000	3,889
	Total					3,889
Insurance & Bond Premiums						
06-2-47-34200	Administration					
19	Acct - Jan to Dec \$946 Per Month	A	1.00	11352.00	0.0000	11,352
	Total					11,352
Administration						
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	1.53	0.0000	3,802,163
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					4,476,563
Purchase of Water						
06-2-47-35200	Operations					
1168	Operation Expenses	A	1.00	129819.00	0.0000	129,819
	Total					129,819
Operations						
06-2-47-51000	Miscellaneous Expenses					
11	Miscellaneous	A	1.00	250.00	0.0000	250
	Total					250
Miscellaneous Expenses						
06-2-47-51100	Meeting Supplies					
3089	Commission Meetings	A	1.00	50.00	0.0000	50
	Total					50
Meeting Supplies						
06-2-47-51400	Office Supplies					

Budget Department Report

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
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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.

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.