

# East Hants Water Utility

Financial Estimates  
2021/2022 to 2023/2024

February 24, 2021



**EAST HANTS**  
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	2020/2021		2021/2022	2022/2023	2023/2024
	Budget	Projection	Budget	Budget	Budget
<b>OPERATING REVENUE</b>					
Metered sales	\$ 2,057,200	\$ 2,144,850	\$ 2,153,000	\$ 2,177,000	\$ 2,183,900
Public fire protection	547,137	543,345	547,285	549,995	543,345
Bulk water station	75,000	120,000	81,000	81,000	81,000
Miscellaneous income	19,375	18,465	19,375	19,375	19,375
<b>TOTAL OPERATING REVENUE</b>	<b>\$ 2,698,712</b>	<b>\$ 2,826,660</b>	<b>\$ 2,800,660</b>	<b>\$ 2,827,370</b>	<b>\$ 2,827,620</b>
<b>OPERATING EXPENDITURES</b>					
Source of supply	\$ 21,550	\$ 14,550	\$ 18,400	\$ 19,250	\$ 19,750
Power and pumping	274,986	279,986	292,879	297,944	303,099
Water treatment	528,463	486,143	628,845	539,797	550,982
Transmission and distribution	620,802	769,022	685,514	701,924	718,578
Administration and general	327,102	325,402	335,327	343,770	350,233
Depreciation	473,347	481,364	470,701	476,627	509,348
<b>TOTAL OPERATING EXPENDITURES</b>	<b>\$ 2,246,250</b>	<b>\$ 2,356,467</b>	<b>\$ 2,431,666</b>	<b>\$ 2,379,312</b>	<b>\$ 2,451,990</b>
<b>NET OPERATING REVENUE (EXPENDITURE)</b>	<b>\$ 452,462</b>	<b>\$ 470,193</b>	<b>\$ 368,994</b>	<b>\$ 448,058</b>	<b>\$ 375,630</b>
<b>NON-OPERATING REVENUE</b>					
Interest income	\$ 9,635	\$ 6,564	\$ 6,560	\$ 6,560	\$ 6,560
Obligatory reserves - water infrastructure	-	-	100,000	-	-
Transfer from accumulated surplus*	-	-	225,000	-	-
	<b>\$ 9,635</b>	<b>\$ 6,564</b>	<b>\$ 331,560</b>	<b>\$ 6,560</b>	<b>\$ 6,560</b>
<b>NON-OPERATING EXPENDITURES</b>					
Bank and finance charges	\$ 3,927	\$ 3,927	\$ 4,702	\$ 5,738	\$ 5,829
Interest expense	176,012	176,012	138,709	56,114	48,034
Principal	237,421	237,421	507,726	254,225	281,208
Capital expenditure out of operations	32,750	32,750	32,750	34,400	35,260
	<b>\$ 450,110</b>	<b>\$ 450,110</b>	<b>\$ 683,887</b>	<b>\$ 350,477</b>	<b>\$ 370,331</b>
<b>NON-OPERATING EXPENDITURES</b>	<b>\$ (440,475)</b>	<b>\$ (443,546)</b>	<b>\$ (352,327)</b>	<b>\$ (343,917)</b>	<b>\$ (363,771)</b>
<b>NET REVENUE (EXPENDITURES)</b>	<b>\$ 11,987</b>	<b>\$ 26,647</b>	<b>\$ 16,667</b>	<b>\$ 104,141</b>	<b>\$ 11,859</b>
<b>SURPLUS, BEGINNING OF YEAR</b>	<b>1,533,249</b>	<b>1,533,249</b>	<b>1,559,896</b>	<b>1,351,563</b>	<b>1,455,704</b>
Transfer from accumulated surplus*	-	-	(225,000)	-	-
<b>SURPLUS, END OF YEAR</b>	<b>\$ 1,545,236</b>	<b>\$ 1,559,896</b>	<b>\$ 1,351,563</b>	<b>\$ 1,455,704</b>	<b>\$ 1,467,563</b>

\*As per Council motion C20(40) and NSUARB approval M09942

## Notes

The East Hants Water Utility budget is presented in the required reporting format by the Nova Scotia Utility and Review Board (NSUARB).

### Revenue Assumptions

The revenues reflected in this budget are based on the water rates which were approved by the NSUARB July 1, 2017 as part of a three-year rate review process covering the fiscal years 2017/2018 through 2019/2020. The revenue budgets for 2021/2022 to 2023/2024 have been increased to reflect a conservative increase in the number of water accounts, using the same base and consumption rates approved for April 1<sup>st</sup>, 2019 and onwards.

### Expense Assumptions

#### 2021/2022

The staffing costs for the Utility consist of allocations from the Infrastructure & Operations and Finance departments, plus full-time positions working exclusively in the Water Utility. The overall budget to budget variances in salaries, wages and benefits has increased as a result of a full complement of staff and market adjustments.

Changes in non-compensation expenses are detailed in the following variance table. The increase in expenses is primarily related to the Water Service Capacity Study (offset by funding from obligatory reserves), increase in emergency transmission repairs due to aging infrastructure as well as the rising cost of chemicals and power.

As per Council motion C20(40) and approval by the NSUARB, \$225,000 of accumulated surplus will be used to fund a balloon payment of \$280,465 due in June 2021.

#### 2022/2023 and 2023/2024

Budgets for the years 2022/2023 and 2023/2024 are based upon conservative extrapolations of expenses budgeted in 2021/2022 (less \$100,000 one-time expense for the Water Service Capacity Study). Significant assumptions include the following:

- 2%-3% annual increase in salaries & benefits based on an estimate of growth in labour market demand for similar positions which includes any applicable pay scale step increases for current staff;
- 2% increase in the cost of services acquired, allsystems (allocation of shared water & wastewater services), and all other operating expenses excluding custodial and insurance expenses. These rates of increase are consistent with inflation expectations;
- 4% increase in custodial and insurance expenses. These rates of increase are consistent with prior years' results.
- Amortization expense is based on existing assets and planned additions as per the Capital Budget.

## Variance from Budget 2020/2021 to Budget 2021/2022

Description	Amount
<b>(INCREASES) / DECREASES IN REVENUES</b>	
Increase in metered sales due to additional consumption & new meters	(\$95,800)
Increase in bulk water revenue offset by decrease in interest income	(\$2,925)
Increase in public fire protection as per NSUARB rules and regulations	(\$148)
<b>Sub-Total Revenue Variances</b>	<b>(\$98,873)</b>
<b>INCREASES / (DECREASES) IN EXPENDITURES</b>	
<b>Net decrease in Source of Supply costs due to:</b>	
Decrease in source water & wetland monitoring required by Nova Scotia Environment (NSE)	(\$3,150)
<b>Net increase in Power and Pumping costs due to:</b>	
Increase in plant & equipment maintenance, primarily painting Shubenacadie Water Treatment Plant	\$15,000
Increase in power due to increased power consumption for Engineered Spring	\$5,000
Decrease for property & ground repairs at towers & treatment plants	(\$2,107)
<b>Net increase in Water Treatment costs due to:</b>	
Net increase for the Water Service Capacity Study (\$100K) and lab testing (\$5K), offset by decrease in NSE regulatory requirements of Engineered Spring (\$25K)	\$80,000
Net increase due to rising costs of chemicals	\$15,000
Net increase in salaries & benefits	\$4,129
Salaries & benefits (Market Adjustment 2020/2021)	\$1,976
Net increase in other operating costs for small equipment, operational materials & insurance	\$1,852
Decrease in snow removal costs based on prior years trend	(\$2,575)
<b>Net increase in Transmission &amp; Distribution costs due to:</b>	
Net increase in contracts & agreements due to an increase in frequency of emergency repairs	\$51,022
Net increase in salaries & benefits	\$5,840
Salaries & benefits (Market Adjustment 2020/2021)	\$2,001
Net increase in other operating costs (\$3K security cameras for bulk water station)	\$5,706
Increase in vehicle insurance	\$143
<b>Net increase in Administration &amp; General costs due to:</b>	
Net increase in Admin & Computer Support Fees, & other operating expenses	\$4,329
Net increase in salaries & benefits	\$2,717
Salaries & benefits (Market Adjustment 2020/2021)	\$1,179
Decrease in depreciation expense - water utility equipment fully amortized	(\$2,646)
Net increase in debt servicing costs, offset by transfer from depreciation reserves	\$8,777
Increase in transfer from obligatory reserves (water infrastructure) to fund Capacity Study \$100K	(\$100,000)
<b>Sub-Total Expenditures Variances</b>	<b>\$94,193</b>
<b>NET IMPACT ON WATER UTILITY</b>	<b>(\$4,680)</b>