

East Hants Water Utility

Financial Estimates
2016/2017 to 2018/2019

February 24, 2016



EAST HANTS
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East Hants Water Utility

	2015/2016		2016/2017	2017/2018	2018/2019
	Budget	Projection	Budget	Budget	Budget
OPERATING REVENUE					
Metered sales	\$ 1,628,400	\$ 1,637,000	\$ 1,647,200	\$ 1,651,900	\$ 1,657,700
Public fire protection	552,519	530,555	577,158	530,971	542,869
Bulk water station	30,000	30,000	33,000	33,000	33,000
Miscellaneous income	16,550	16,275	16,125	16,125	16,125
TOTAL OPERATING REVENUE	\$ 2,227,469	\$ 2,213,830	\$ 2,273,483	\$ 2,231,996	\$ 2,249,694
OPERATING EXPENDITURES					
Source of supply	\$ 11,500	\$ 10,477	\$ 28,000	\$ 27,750	\$ 29,750
Power and pumping	258,590	249,751	257,740	274,311	277,471
Water treatment	497,562	429,955	458,162	469,454	481,235
Transmission and distribution	868,593	886,095	723,067	565,420	584,749
Administration and general	334,956	291,018	343,013	346,497	351,772
Depreciation	330,418	342,502	353,833	359,833	385,541
TOTAL OPERATING EXPENDITURES	\$ 2,301,619	\$ 2,209,798	\$ 2,163,815	\$ 2,043,265	\$ 2,110,518
NET OPERATING REVENUE (EXPENDITURE)	\$ (74,150)	\$ 4,032	\$ 109,668	\$ 188,731	\$ 139,176
NON-OPERATING REVENUE					
Interest	\$ 7,200	\$ 6,000	\$ 5,760	\$ 5,760	\$ 5,760
Transfer from operating reserve	175,000	175,000	175,000	-	-
Funding from Province for PCAP	-	74,850	-	-	-
	\$ 182,200	\$ 255,850	\$ 180,760	\$ 5,760	\$ 5,760
NON-OPERATING EXPENDITURES					
Bank and finance charges	\$ 2,727	\$ 2,727	\$ 2,727	\$ 2,727	\$ 2,727
Interest	227,528	227,528	218,082	208,127	197,645
Principal	204,211	204,211	212,115	220,424	229,162
Capital expenditure out of operations	30,000	30,000	-	-	-
	\$ 464,466	\$ 464,466	\$ 432,924	\$ 431,278	\$ 429,534
NON-OPERATING EXPENDITURES	\$ (282,266)	\$ (208,616)	\$ (252,164)	\$ (425,518)	\$ (423,774)
NET EXPENDITURES	\$ (356,416)	\$ (204,584)	\$ (142,496)	\$ (236,787)	\$ (284,598)
SURPLUS, BEGINNING OF YEAR	1,157,913	1,368,831	1,164,247	1,021,751	784,964
SURPLUS, END OF YEAR	\$ 801,497	\$ 1,164,247	\$ 1,021,751	\$ 784,964	\$ 500,366

Notes

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

Revenue Assumptions

The revenues reflected in this budget are based on the water rates approved by the UARB in February 2010 as part of a three-year rate review process covering the fiscal years 2010/2011 through 2012/2013, adjusted to reflect a conservative increase in the number of water accounts. The revenue budgets for 2017/2018 and 2018/2019 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, 2012 and onwards.

Expense Assumptions

2016/2017

The staffing costs for the utility consist of allocations from the Infrastructure & Operations and Finance & Administration departments, plus full-time and part-time positions working exclusively in the Water Utility. The overall budget to budget variances in salaries, wages and benefits is a decrease relating primarily to the staffing re-organization in 2015/2016.

Changes in non-compensation expenses are detailed in the variance table (below). These include system maintenance initiatives and improvements to plants. The significant decreases in 2016/2017 are the completion of the Shubenacadie Water Main scanning project (\$130,000 based on added requirement from Nova Scotia Environment); Engineered Spring Level Assessment Report (\$15,000); the replacement of the Public Works Truck 103 (\$30,000); and savings in the cost of chemicals (\$25,000). The significant increase is primarily related to emergency and mainline repairs (\$50,000) as budgets for these repairs are difficult to predict. As a result, 2016/2017 is above the actual expenses projected for 2015/2016 and as reported to Council.

In addition to the expenses detailed above, depreciation is and will continue to impact the budget. Any new completed capital budgets, including those donated by developers, will result in increased depreciation expenditures. The unanticipated donated assets that the utility took possession of in 2014/2015 has consequently caused the 2015/2016 projected expense to be over budget by \$12,084.

2017/2018 and 2018/2019

Budgets for the years 2017/2018 and 2018/2019 are prepared with information provided by the Department of Infrastructure & Operations staff and through extrapolations of expenses budgeted in 2016/2017 (minus \$175,000 one-time easement expenses in 2016/2017). Significant assumptions include the following:

- A 1% annual increase in Salaries & Benefits based on an estimate of growth in labour market demand for similar positions plus any applicable pay scale step increases for current staff;

- A 2.5% increase in the cost of services acquired, all systems and all other expenses excluding janitorial, chemical and insurance expenses. These rates of increase are consistent with inflation expectations submitted as part of the previous UARB rate review;
- A 4% increase in janitorial, chemical and insurance expenses. These rates of increase are consistent with prior years' results.

Variance from Budget 2015/2016 to Budget 2016/2017

Description	Amount
(INCREASES) / DECREASES IN REVENUES	
Increase in Metered Sales (primarily as a result of an increase in customers)	\$ (18,800)
Increase in Water Token Revenue based on revenue trends	\$ (3,000)
Decrease in Investment Income & Administration Fees	\$ 1,865
Increase in Public Fire Protection as per UARB Rules and Regs	\$ (24,639)
Sub-Total Revenue Variances	\$ (44,574)
INCREASES / (DECREASES) IN EXPENDITURES	
Net decrease in Power and Pumping Costs due to:	
Increase in Mowing and Landscaping (Addition of Bulk Water Station & New Contract)	\$ 6,000
Decrease in Safety Equipment and Security (based on previous years' projections and actuals)	\$ (600)
Decrease in Equipment Replacement & Maintenance (Pumps, Valves, Monitors and Meters)	\$ (6,000)
Decrease in Heating Fuel	\$ (250)
Net increase in Source and Supply Costs due to:	
Increase in Well Testing Equipment	\$ 1,750
Decrease in Watershed Meeting Expenditures (based on previous years' projections and actuals)	\$ (250)
Increase in Source Water Monitoring	\$ 7,000
Increase in Test Well Remediation	\$ 8,000
Net decrease in Water Treatment Costs due to:	
Net decrease in Salaries & Benefits	\$ (5,455)
Decrease in Chemicals	\$ (25,000)
Net decrease in Supplies & various Operational Expenses	\$ (1,293)
Net Increase in Snow Removal	\$ 9,000
Net decrease in Lab Testing for Shubie Water Plant	\$ (20,000)
Net increase in various other Allsystems Expenses (4/9ths)	\$ 3,348
Net increase in Transmission & Distribution Costs due to:	
Decrease in Vehicle - Truck tires, oil, insurance & fuel	\$ (3,559)
Net Increase in Supplies & various Operational Expenses	\$ 726
Decrease in Shubie Water Main Scanning (\$130K) & Engineered Spring Level Assessment Report	\$ (144,000)
Net Increase in repairs - Emergency (\$25K), Mainline (\$25K) & Water Tower (-\$1.5k)	\$ 48,500
Decrease in Snow Removal	\$ (500)
Net decrease in Salaries & Benefits (Staffing Adjustments & Re-Organization)	\$ (42,997)
Net decrease in various other Allsystems Expenses (4/9ths)	\$ (3,696)
Net decrease in Administration & General Expenses due to:	
Net increase in Salaries & Benefits (Staffing Adjustments & Re-Organization)	\$ 1,339
Decrease in Computer Hardware - SCADA/Network Video Recording System at WTP	\$ (8,000)
Net increase in Printing & Courier	\$ 600
Increase in Operational Materials & Advertising (Rate Review)	\$ 1,610
Increase in Administration Fee	\$ 1,998
Increase in Postage (Arrear Bills)	\$ 1,150
Increase in Bad Debt	\$ 1,300
Increase in Computer Support Fees	\$ 9,210
Decrease in Professional Fees (E-Billing Set-Up)	\$ (1,150)
Increase in Depreciation Expense	\$ 23,415
Decrease in Debt Servicing Costs offset by interest income	\$ (1,542)
Decrease in funding for Truck replacement	\$ (30,000)
Sub-Total Expenditures Variances	\$ (169,346)
DECREASE IN NET EXPENDITURES	\$ (213,920)