

East Hants Water Utility

Financial Estimates
2020/2021 to 2022/2023

February 26, 2020



EAST HANTS
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East Hants Water Utility

	2019/2020		2020/2021	2021/2022	2022/2023
	Budget	Projection	Budget	Budget	Budget
OPERATING REVENUE					
Metered sales	\$ 2,030,500	\$ 2,029,600	\$ 2,057,200	\$ 2,077,700	\$ 2,098,300
Public fire protection	543,345	543,345	547,137	547,285	549,766
Bulk water station	75,000	75,000	75,000	75,000	75,000
Miscellaneous income	18,700	18,730	19,375	19,375	19,375
TOTAL OPERATING REVENUE	\$ 2,667,545	\$ 2,666,675	\$ 2,698,712	\$ 2,719,360	\$ 2,742,441
OPERATING EXPENDITURES					
Source of supply	\$ 17,550	\$ 17,550	\$ 21,550	\$ 22,550	\$ 23,050
Power and pumping	259,821	258,854	274,986	279,718	284,534
Water treatment	475,374	478,156	528,463	509,813	520,384
Transmission and distribution	611,123	589,523	620,802	635,808	651,206
Administration and general	322,905	320,145	327,102	331,414	338,849
Depreciation	470,426	465,906	473,347	467,559	483,274
TOTAL OPERATING EXPENDITURES	\$ 2,157,199	\$ 2,130,134	\$ 2,246,250	\$ 2,246,862	\$ 2,301,297
NET OPERATING REVENUE (EXPENDITURE)	\$ 510,346	\$ 536,541	\$ 452,462	\$ 472,497	\$ 441,145
NON-OPERATING REVENUE					
Interest	\$ 8,190	\$ 9,253	\$ 9,635	\$ 9,635	\$ 9,635
Transfer from Depreciation Fund	-	-	-	250,000	-
	\$ 8,190	\$ 9,253	\$ 9,635	\$ 259,635	\$ 9,635
NON-OPERATING EXPENDITURES					
Bank and finance charges	\$ 3,927	\$ 3,927	\$ 3,927	\$ 4,893	\$ 5,585
Interest	187,052	187,052	176,012	149,047	108,758
Principal	228,213	228,213	237,421	515,341	253,463
Capital expenditure out of operations	67,750	61,300	32,750	32,750	34,400
	\$ 486,942	\$ 480,492	\$ 450,110	\$ 702,031	\$ 402,206
NON-OPERATING EXPENDITURES	\$ (478,752)	\$ (471,239)	\$ (440,475)	\$ (442,396)	\$ (392,571)
NET REVENUE (EXPENDITURES)	\$ 31,594	\$ 65,302	\$ 11,987	\$ 30,101	\$ 48,574
SURPLUS, BEGINNING OF YEAR	962,975	962,975	1,028,277	1,040,264	1,070,365
SURPLUS, END OF YEAR	\$ 994,569	\$ 1,028,277	\$ 1,040,264	\$ 1,070,365	\$ 1,118,939

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 2020/2021 to 2022/2023 have been increased to reflect a conservative increase in the number of water accounts, using the same base and consumption rates approved for April 1st, 2019 and onwards.

Expense Assumptions

2020/2021

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 additional Nova Scotia Environment (NSE) requirements for testing and use of the Engineered Spring, as well as the rising cost of chemicals, heating and power, offset by the decrease related to the purchase of a truck in 2019/2020 (\$35,000) as well as a slight decrease in contract labour costs.

2021/2022 and 2022/2023

Budgets for the years 2021/2022 and 2022/2023 are based upon conservative extrapolations of expenses budgeted in 2020/2021 (minus \$25,000 one-time expense for use of Engineered Spring in 2020/2021). Significant assumptions include the following:

- A 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;
- A 2% increase in the cost of services acquired, all systems, and all other operating expenses excluding custodial and insurance expenses. These rates of increase are consistent with inflation expectations;
- A 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 2019/2020 to Budget 2020/2021

Description	Amount
(INCREASES) / DECREASES IN REVENUES	
Increase in metered sales from additional meters	(\$26,700)
Increase in Public Fire Protection as per NSUARB Rules and Regulations	(\$3,792)
Increase in administration fees & interest income	(\$2,120)
Sub-Total Revenue Variances	(\$32,612)
INCREASES / (DECREASES) IN EXPENDITURES	
Net increase in Source and Supply Costs due to:	
Increase in source water & wetland monitoring required by Nova Scotia Environment (NSE)	\$4,000
Net increase in Power and Pumping Costs due to:	
Increase in power & heating fuel	\$7,605
Increase in plant & equipment maintenance, primarily replacement of chemical room sensors	\$6,350
Increase for property & ground repairs at towers & treatment plants	\$1,210
Net increase in Water Treatment Costs due to:	
Net increase due to NSE, regulatory fees \$4.5K, use of Engineered Spring \$25K, and lab testing \$4K	\$33,500
Net increase due to rising costs of chemicals	\$10,000
Net increase in other operating costs including additional costs for chemical tote inspection	\$4,726
Net Increase in Salaries & Benefits	\$2,265
Salaries & Benefits (Market Adj. 2019/2020)	\$2,598
Net increase in Transmission & Distribution Costs due to:	
Net Increase in Salaries & Benefits	\$10,288
Salaries & Benefits (Market Adj. 2019/2020)	\$2,682
Net increase in other operating costs (primarily plant insurance \$2,181)	\$3,816
Increase in vehicle costs - tires, oil, & insurance	\$708
Net decrease in contract & agreements offset by Winfluid license (\$2,185)	(\$7,815)
Net increase in Administration & General Expenses due to:	
Net Increase in Salaries & Benefits	\$2,843
Salaries & Benefits (Market Adj. 2019/2020)	\$1,210
Increase in Admin & Computer Support Fees, & other operating expenses	\$144
Increase in depreciation expense primarily from new truck	\$2,921
Decrease in debt servicing costs	(\$1,832)
Decrease for funding of new truck in 2019/2020	(\$35,000)
Sub-Total Expenditures Variances	\$52,219
NET IMPACT ON WATER UTILITY	\$19,607