



# CITY OF ESTEVAN



January 26, 2015

To: His Worship the Mayor  
Members of City Council

From: Amber Smale, City Manager

RE: 2015-2019 Water and Sewer Utility Program

## RECOMMENDATION

1. That City Council approve the 2015 Water and Sewer Utility Operating Budget, as outlined in the attached 2015 Water and Sewer Utility Budget document.
2. That City Council approve the 2015-2019 Water and Sewer Utility Capital Budget, as outlined in the attached 2015-2019 Water and Sewer Utility Budget document.
3. That the Water Consumption, Bulk Water Supply and Septage Receiving Rates for 2015 be increased by 10% to meet the proposed budget requirements.

## CONCLUSION

The proposed operating and capital budgets for the Water and Sewer Utility provide the funding necessary to meet the service goals of the water, wastewater and drainage services for 2015.

Utility rates in Estevan have not been reviewed in some time and the consumption portion of the rates are among the lowest in Saskatchewan. The City will face growing infrastructure and capital costs related to the utility over the next 5 years that is currently unfunded, therefore rates need to be at a level to properly fund those projects. In addition, the water utility is one of the few revenue sources for the City and is needed to provide a contribution to the general operating budget annually. At present, there continues to be enough funds to cover projects on an annual basis related to the utility and no significant reserve for future projects. This practice adds significant financial pressure on the City.

## BACKGROUND AND DISCUSSION

The purpose of this report is to submit the Water and Sewer Utility Budgets for 2015 to City Council for review.

The Water and Sewer Utility is created pursuant to *The Cities Act*. Sections of the legislation applicable to the Water and Sewer Utility include:

- The definition of a public utility in Section 2(1)(cc) states that a “public utility means a system or works used to provide one or more of the following for public consumption, benefit, convenience or use.” The list includes water, wastewater and storm drainage;
- Section 8(1) states that “a city has a general power to pass any bylaws for city purposes that it considers expedient in relation to the following matters respecting the city.” The list of purposes includes public utilities;
- Section 8 (3) states that “a power to pass bylaws given by this Act is to be interpreted as including the power to do all or any of the following.” The list of powers includes the authority to establish fees;
- Section 128(1) requires that “a council shall adopt an operating and a capital budget for each financial year.”

The assets are split across three functional programs: Water Supply and Distribution, Wastewater Collection and Treatment, and Storm Collection and Flood Control. The Utility is tasked with making wise decisions with public funds. The City continues to grow, funds are becoming more limited, and significant investment is needed to maintain the ability of the Utility to maintain service levels and capacity for growth.

The City’s water systems are valuable and are needed to support quality of life. Water systems provide clean and safe water, take away sewage and manage flooding. The City’s Water and Sewer Utility relies on a large network of assets including three systems of pipes for water, wastewater and drainage as well as pumping stations, reservoirs, detention ponds and other infrastructure. The full scope of the Utility’s assets is not known however the City is currently undertaking an assess management project that will help define what the City has, its age, state of repair and future requirements.

It is believed that many of the Water and Sewer Utility’s assets are reaching the end of their service lives as most of them have been in service since the 1950’s, 60’s and 70’s. These aging assets will require replacement or major repairs. Some of this work is already in progress.

Previous Utility rate increases have not allowed the City to start saving for upcoming work, or future requirements that may be needed at the Water and Wastewater Treatment Plants. In 2015, the City of Estevan will continue to invest in repairing its systems and will require a 10% increase to the current water consumption rates. This will provide an additional \$200,000 in revenue for 2015.

Attached is the 2015 Water and Sewer Utility Budget, the attached document provides an overview of the three services funded through the Utility: water, wastewater and drainage.

Projected operating revenues for 2015 for the Utility are \$6.3 million, this is the same revenue as projected in the 2014 budget. A comprehensive rate review is required in order to meet the needs of the community now and into the future. Projected operating expenses for 2015 for the Utility

are \$4.7 million. **Capital servicing costs related to the Utility consist of principal debt repayments of about \$1.6 million and interest payments of about \$412,000, creating a net of about \$1.6 million in the Utility fund.**

**Projected capital projects for the Utility total \$1.8 million.**

Utility rate increases are required as a result of increasing operating and capital costs. Operating costs such as salaries, benefit costs, electricity and fuel have increased. The City of Estevan has been adjusting rates annually as needed to meet the current year's program without consideration of longer term needs of the utility. There was no rate increase in 2014. The three key variables to consider in updating the Utility model are the projections for capital requirements, utility rates and the extent to which debt is used to fund capital requirements.

## RECOMMENDATION IMPLICATIONS

### **Financial Implications**

The budget implications are detailed in the attached 2015 Proposed Water and Sewer Utility Budget document. To continue to deliver programs and services through this growth period, while making progress on the infrastructure funding gap requires a rate review and increase over the next few years.

### **Policy and/or Strategic Implications**

The City of Estevan's Water and Sewer Utility operates on a full user-pay model, and is not supported by tax revenue. Until recently, the City has relied on excess capacity in infrastructure developed in the 1970s to accommodate a growing population, and has deferred maintenance and renewal in order to continue to deliver services while keeping Utility rates low. The Utility now has a substantial backlog of work needed to repair or replace the aging infrastructure.

The proposed rate review will move the Utility toward a more sustainable position over the next several years and enable the Utility to fulfill its mandate. It is hoped the City will be able to implement monthly billing in 2015 that will provide a more accurate picture to residents on the cost of providing this service.

## COMMUNICATION PLAN

The 2015 Water and Sewer Utility Budget will be available on the City's web site at Estevan.ca. Public consultation will be conducted during the rate review.

## DELEGATED AUTHORITY

The disposition of this report requires City Council approval.

Respectfully submitted,

Amber Smale  
City Manager

## Appendix B

### City of Estevan Water and Sewer Utility Capital Plan

Project Description	2015	2016	2017	2018	2019
<b>Proposed One-Time Water/Sewer Projects</b>					
Bio-Solids Building Equipment	600,000				
Northwest Sewer Main Construction		3,000,000			
Rafferty – Second Intake/Water Source			3,000,000		
Sister Roddy Road – City Limits to Wellock Road				4,000,000	
Sister Roddy Road – Wellock Road to Hwy 39					4,000,000
Water Treatment Plant Roof Repair	240,000				
Water Tower Refurbish/Rehabilitation		700,000			
Water Distribution Waste Diversion		2,000,000			
Waste Water Treatment Plant Upgrades	1,000,000	2,000,000	3,000,000	5,000,000	1,000,000
<b>Total Utility Capital Costs</b>	<b>1,840,000</b>	<b>7,700,000</b>	<b>6,000,000</b>	<b>9,000,000</b>	<b>5,000,000</b>

## Appendix A

### City of Estevan Water and Sewer Operating Budget

<b>Revenue</b>	<b>2015 Budget</b>	<b>2014 Budget</b>	<b>2013 Actual</b>
Water Sales	5,125,000	5,140,000	5,124,775
Connection Fees	290,000	282,500	326,053
Infrastructure Fee	455,000	425,000	455,103
Drainage Levy	495,000	495,000	520,342
<b>Total Revenue</b>	<b>6,365,000</b>	<b>6,342,500</b>	<b>6,426,273</b>
<b>Expenses</b>			
Water Treatment Plant	858,100	906,150	733,149
Waste Water Treatment Plant	472,200	468,720	322,985
Effluent / Water Tower / Water Reservoir	116,250	106,000	180,610
Water Metering / Connection / Distribution	792,900	792,900	698,065
Sewer Connection / Pumping / Collection	509,550	509,550	493,361
Debt Principal Payments	1,600,757	2,121,509	1,797,204
Debt Interest Payments	412,381	348,909	336,826
<b>Total Expenses</b>	<b>4,762,138</b>	<b>5,253,738</b>	<b>4,562,200</b>
<b>Net Utility Operations</b>	<b>1,602,862</b>	<b>1,088,762</b>	<b>1,864,073</b>