
Utilities 2019 Business Plan and Budget

Recommendation

1. That the Utilities Business Line totalling \$362,057,500 in expenditures (\$9,764,300 increase over 2018) and \$362,057,500 (\$9,764,300 increase over 2018) in revenues be approved, subject to adjustments under the Business Plan Options section of the agenda; and
2. That the Capital Budget totalling \$69,070,000 be approved, subject to adjustments under the Business Plan Options section of the agenda.

Topic and Purpose

The purpose of this report is to receive City Council approval for the 2019 Utilities Business Line as presented, including both the Capital and Operating Budgets.

Report Highlights

1. The Utilities Business Line includes \$362,057,500 in expenditures and non-tax revenues.
2. The Utilities Business Line also includes \$69,070,000 in capital investments. The capital investments are mostly related to maintenance and rehabilitation of Saskatoon Light & Power (SL&P), Water Utility and Wastewater Utility.

Strategic Goal

This report supports the Strategic Goal of Asset and Financial Sustainability by being open, accountable and transparent, particularly when it comes to the resource allocation and collection decisions the City of Saskatoon (City) makes.

Background

The 2019 Preliminary Business Plan and Budget (2019 Preliminary Budget) was released on October 24, 2018.

Report

Utilities Business Line Operating Budget

The 2019 Preliminary Budget includes \$362,057,500 in expenditures for the Utilities Business Line, which is a \$9,764,300, or 2.77%, increase over 2018 mainly due to:

- \$13,599,900 in additional expenditures for Saskatoon Water largely due to an additional \$12,981,400 being transferred to the Water Capital Reserve for future capital replacements;
- \$1,749,900 increase in Storm Water Management expenses, mainly due to increases in contributions towards the Storm Water Management Capital Reserve in order to fund future capital requirements of the utility; and

- Offset by a reduction of \$6,417,000 to SL&P expenses, mainly due to reductions in bulk power purchases (\$4,993,400) to reflect change in rates and reduced consumption within SL&P's service area.

This business line includes a total of 367.92 full-time equivalents (FTE), which is an increase of 6.50 FTE over the 2018 Approved Budget. This increase is due to increases in the Water Utility Division, mainly:

- 1.0 FTE for a Water Quality Coordinator to focus on water loss, water quality through water audits, ensure regulatory compliance, and to provide educational programs regarding water policies and bylaws;
- 1.0 FTE for a Project Engineer to share workload and assist with timely completion of maintenance;
- 2.0 FTE for Water System Operators to ensure audit requirements are met; and
- 1.0 FTE for an Equipment Operator and 1.0 FTE for a Utility B required to operate newly purchased equipment, saving contractor costs.

This business line also includes a total of \$362,057,500 in non-tax revenue sources, which is an increase of \$9,764,300 over 2018's budget. This increase is largely due to previously approved rate increase in Wastewater (9.25%) and Saskatoon Water (9.25%).

The Utilities Business Line provides a source of revenue in the amount of \$78,522,900 to the City to offset tax-supported programs which include: \$35,079,300 grant-in-lieu; \$34,109,700 return on investment; and \$8,830,000 in administrative fees for internal services provided (e.g. IT, Finance, Payroll) and contributions to the roadway program for services provided on utility work.

Utilities Business Line Capital Budget

The 2019 Preliminary Budget includes \$69,070,000 in funded capital investments, most notably:

- \$22,975,000 for investments in SL&P;
- \$7,603,000 for investments in Storm Water Management Capital, including three funded projects to address the condition of the City's store water assets;
- \$11,011,000 for investments in Wastewater Utility; and
- \$27,481,000 for projects in Water Capital, major projects include;

These capital projects are recommended to be fully funded by \$69,070,000 in reserve and operating contributions.

Options to the Recommendation

City Council can choose to revise any service line and associated service levels that would impact the total operating expenditures, revenues or capital programming.

Public and/or Stakeholder Involvement

The Administration developed the 2019 Preliminary Budget based on public feedback, such as the annual Civic Services Survey and other public engagement initiatives undertaken throughout the budget process.

Financial Implications

The financial implications are included in this report.

Other Considerations/Implications

There are no policy, environmental, privacy, or CPTED implications or considerations, and a communication plan is not required.

Due Date for Follow-up and/or Project Completion

Upon approval of the 2019 Preliminary Budget, the Administration will develop an Approved Business Plan and Budget for presentation to City Council in early 2018.

Public Notice

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

Report Approval

Written by: Maegan Piche, Financial Analyst
Reviewed by: Clae Hack, Director of Finance
Approved by: Kerry Tarasoff, CFO/General Manager, Asset and Financial Management Department

Utilities 2019 Budget_BL.docx