

## Attachment #4 – Rate Analysis

### CSA #41 Salmon Creek Zone of Benefit

- Fund Balance
- Five Year Projections (CPI increase only)
- Five Year Projections (CPI + 3% increase)
- Major Repairs for last five years
- Projected Maintenance Schedule

# Fund Balance

FUND		FY15-16	FY16-17	FY17-18	FY18-19	FY19-20
		Actuals	Actuals	Actuals	Actuals	Actuals
45305	<i>Operations</i>	\$ 116,403	\$ 133,337	\$ 133,584	\$ 159,246	\$ 175,795
45310	<i>Construction</i>	\$ 3,887	\$ 3,887	\$ 3,887	\$ 3,887	\$ 3,887
45315	<i>Debt Services #2</i>	\$ 62,014	\$ 60,760	\$ 60,752	\$ 60,632	\$ 60,434
45325	<i>Depr Reserve</i>	\$ 6,681	\$ 8,971	\$ 11,316	\$ 13,777	\$ 16,293

# 5 Year Projections (2% CPI)

Salmon Creek	ACTUALS	BUDGET	PROJECTED				
	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26
<b>Revenue</b>							
Rate Revenue	\$ 116,653	\$ 124,067	\$ 121,366	\$ 123,793	\$ 126,269	\$ 128,794	\$ 131,370
Interest Earnings	\$ 3,324	\$ 3,000	\$ 3,324	\$ 3,324	\$ 3,324	\$ 3,324	\$ 3,324
<b>Total Revenue</b>	<b>\$ 119,977</b>	<b>\$ 127,067</b>	<b>\$ 124,690</b>	<b>\$ 127,117</b>	<b>\$ 129,593</b>	<b>\$ 132,118</b>	<b>\$ 134,694</b>
<b>Operating Expenses</b>							
Contracted - RRU	\$ 53,168	\$ 54,232	\$ 55,859	\$ 57,535	\$ 59,261	\$ 64,002	\$ 65,922
Non-Routine Maintenance	\$ 9,600	\$ 12,000	\$ 23,200	\$ 23,200	\$ 23,200	\$ 23,200	\$ 23,200
Other Operating Costs	\$ 9,516	\$ 12,223	\$ 12,590	\$ 12,967	\$ 13,356	\$ 13,757	\$ 14,170
Administration	\$ 34,552	\$ 35,406	\$ 36,468	\$ 37,562	\$ 38,689	\$ 39,850	\$ 41,045
<b>Total Operating Expenses</b>	<b>\$ 106,836</b>	<b>\$ 113,861</b>	<b>\$ 128,117</b>	<b>\$ 131,264</b>	<b>\$ 134,506</b>	<b>\$ 140,808</b>	<b>\$ 144,337</b>
<b>Net Revenue</b>	<b>\$ 13,141</b>	<b>\$ 13,206</b>	<b>\$ (3,427)</b>	<b>\$ (4,147)</b>	<b>\$ (4,913)</b>	<b>\$ (8,690)</b>	<b>\$ (9,643)</b>
<b>Depretiation Expense</b>	<b>\$ 85,184</b>	<b>\$ 85,000</b>	<b>\$ 85,184</b>	<b>\$ 85,184</b>	<b>\$ 85,184</b>	<b>\$ 85,184</b>	<b>\$ 85,184</b>
<b>Net Cost</b>	<b>\$ 72,043</b>	<b>\$ 71,794</b>	<b>\$ 88,611</b>	<b>\$ 89,331</b>	<b>\$ 90,097</b>	<b>\$ 93,874</b>	<b>\$ 94,827</b>

# 5 Year Projections (2% CPI\* + 3%)

Salmon Creek	ACTUALS	BUDGET	PROJECTED				
	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26
<b>Revenue</b>							
Rate Revenue	\$ 116,653	\$ 124,067	\$ 124,935	\$ 131,182	\$ 137,741	\$ 144,628	\$ 151,860
Interest Earnings	\$ 3,324	\$ 3,000	\$ 3,324	\$ 3,324	\$ 3,324	\$ 3,324	\$ 3,324
<b>Total Revenue</b>	<b>\$ 119,977</b>	<b>\$ 127,067</b>	<b>\$ 128,259</b>	<b>\$ 134,506</b>	<b>\$ 141,065</b>	<b>\$ 147,952</b>	<b>\$ 155,184</b>
<b>Operating Expenses</b>							
Contracted - RRU	\$ 53,168	\$ 54,232	\$ 55,859	\$ 57,535	\$ 59,261	\$ 64,002	\$ 65,922
Non-Routine Maintenance	\$ 9,600	\$ 12,000	\$ 23,200	\$ 23,200	\$ 23,200	\$ 23,200	\$ 23,200
Other Operating Costs	\$ 9,516	\$ 12,223	\$ 12,590	\$ 12,967	\$ 13,356	\$ 13,757	\$ 14,170
Administration	\$ 34,552	\$ 35,406	\$ 36,468	\$ 37,562	\$ 38,689	\$ 39,850	\$ 41,045
<b>Total Operating Expenses</b>	<b>\$ 106,836</b>	<b>\$ 113,861</b>	<b>\$ 128,117</b>	<b>\$ 131,264</b>	<b>\$ 134,506</b>	<b>\$ 140,808</b>	<b>\$ 144,337</b>
<b>Net Revenue</b>	<b>\$ 13,141</b>	<b>\$ 13,206</b>	<b>\$ 143</b>	<b>\$ 3,242</b>	<b>\$ 6,559</b>	<b>\$ 7,144</b>	<b>\$ 10,847</b>
<b>Depretiation Expense</b>	<b>\$ 85,184</b>	<b>\$ 85,000</b>	<b>\$ 85,184</b>	<b>\$ 85,184</b>	<b>\$ 85,184</b>	<b>\$ 85,184</b>	<b>\$ 85,184</b>
<b>Net Cost</b>	<b>\$ 72,043</b>	<b>\$ 71,794</b>	<b>\$ 85,041</b>	<b>\$ 81,942</b>	<b>\$ 78,625</b>	<b>\$ 78,040</b>	<b>\$ 74,337</b>

*\*Annual CPI is estimated at 2% for 5 years*

# Major Repairs

<b>REPAIRS OVER \$1,500</b>	<b>Amount</b>	<b>FY</b>
Well #1 - new electrical & Install conduit underground	\$ 3,059	FY16-17
System/Service Visit Pall Corporation	\$ 2,685.25	FY16-17
Tank repair	\$ 13,998.85	FY17-18
Treatment Plant Repair (Automated Control Valve Replacement)	\$ 1,934.95	FY17-18
Tank/pipe repair	\$ 15,022.06	FY17-18
SCADA upgrade - to comply with division of drinking water inspection	\$ 8,157.92	FY 19-20

\*Piping/fitting failures occurred at the Salmon Creek Water System treatment facility during Fall of 2017. Brelje and Race contributed \$10,000 to the Salmon Creek Zone of Benefit given their involvement on the project from planning through commissioning.

# Projected Maintenance Schedule (5yr/10yr)

5 Year	10 Year	Total	Annual
	Replace Water Meters / Reading	\$ 50,000	\$ 5,000.00
Replace 35kw Generator		\$ 38,000	\$ 7,600.00
Replace PALL Filter Modules		\$ 8,000	\$ 1,600.00
Pall Filter Inspection		\$ 5,000	\$ 1,000.00
Replace Treatment Plant Components		\$ 25,000	\$ 5,000.00
Repair leaks in system		\$ 10,000	\$ 2,000.00
Coat interior Treatment plant wall- Epoxy		\$ 1,500	\$ 300.00
Clean Finished Water Tank		\$ 3,500	\$ 700.00
		<b>\$141,000.00</b>	<b>\$23,200.00</b>

# Conclusion

If Base Rates (meter charges) and Water Usage Rates remain unchanged, or only increased by CPI, for the next five years, then projections indicate that the water system will be operating at a net loss for the next five years. This will prompt the use of fund balance reserves in order to continue operations and maintenance of the system.

The proposed rate increase of a maximum annual three percent (3%) plus CPI provides the water system with a positive cash flow. This scenario will allow the system to generate enough revenue for day-to-day operations and maintenance, and account for necessary reserves to service the system over the next five years.