



**Utilities Kingston
Report to Council
Report Number 17-319**

To: Mayor and Members of Council
From: Jim Keech, President and CEO, Utilities Kingston
Resource Staff: Randy Murphy, Chief Financial Officer, Utilities Kingston
Date of Meeting: November 28, 2017
Subject: Approval of the 2018 Operating Budgets for the Municipal Utilities

Executive Summary:

This report provides a summary and recommendation for the 2018 Wastewater, Water, Natural Gas and Appliance Rental Operating Budgets and for the 2018 Appliance Rental and Wastewater Capital Budgets for which approval is recommended. The attached appendices provide details of the noted operating budgets as well as five year operating budget estimates.

Recommendation:

1. **That** Council approve the 2018 Municipal Utility Operating Budgets in the amounts noted below; and

WASTEWATER

Operating Budget	\$15,444,000
Debt Costs	\$4,582,000
Transfer to Facility Repair Fund – Debt 85 Lappan’s Lane	\$476,000
Transfer to Capital Reserve Fund	<u>\$10,167,000</u>
Total Revenue	\$30,669,000

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WATER

Operating Budget	\$14,030,000
Debt Costs	\$2,385,000
Transfer to Facility Repair Fund – Debt 85 Lappan’s Lane	\$476,000
Transfer to Capital Reserve Fund	<u>\$9,439,000</u>
Total Revenue	\$26,330,000

GAS

Operating Budget	\$4,756,000
Commodity Purchase, Transportation & Storage, and Cap and Trade Allowances	\$25,000,000
Transfer to Facility Repair Fund – Debt 85 Lappan’s Lane	\$173,000
Transfer to Gas Capital Reserve Fund	\$3,262,000
Transfer to City Municipal Capital Reserve Fund	<u>\$2,000,000</u>
Total Revenue	\$35,191,000

APPLIANCE RENTAL BUSINESS

Operating Budget	\$526,000
Transfer to Capital Reserve Fund	\$973,000
Transfer to Municipal Capital Reserve Fund	\$483,000
Transfer to City Environmental Reserve Fund	<u>\$681,000</u>
Total Revenue	\$2,663,000

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2. **That** the City's budget By-Laws include the municipal utility operating budget as approved.
3. **That** Council approve an addition to the 2018 Appliance Rental Capital Budget of \$1,050,000 to be funded by the Appliance Rental reserve fund.
4. **That** Council approve an addition to the 2018 wastewater capital budget of \$5,400,000, to be funded \$2,920,000 from the Wastewater reserve fund and \$2,480,000 from the Impost reserve fund.

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Authorizing Signatures:

ORIGINAL SIGNED BY PRESIDENT & CEO, UTILITIES KINGSTON

**Jim Keech, President and CEO,
Utilities Kingston**

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

Gerard Hunt, Chief Administrative Officer

Consultation with the following Members of the Corporate Management Team:

Lanie Hurdle, Commissioner, Community Services	Not required
Desirée Kennedy, Chief Financial Officer & City Treasurer	Not required
Denis Leger, Commissioner, Corporate & Emergency Services	Not required

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Options/Discussion:

Attached are summary reports for the recommended 2018 Operating Budgets and five-year operating budget estimates for each of the municipal utilities: Wastewater, Water, Natural Gas, and Appliance Rental Business managed by 1425445 Ontario Limited (operating as Utilities Kingston) on behalf of the Corporation of the City of Kingston.

2018 OPERATING

Operating - Gross	2017 Budget	2018 Budget
Wastewater	\$14,421,000	\$15,444,000
Water	\$13,611,000	\$14,030,000
Gas	\$4,592,000	\$4,756,000
Appliance Rentals	\$505,000	\$526,000
Total - City-owned Utilities	\$33,129,000	\$34,756,000
Less Extraordinary Items:		
Preventative Plumbing Program Increase		(\$680,000)
Point Pleasant WTP Property Tax Increase		(\$300,000)
Total – City-owned Utilities		\$33,776,000

The 2018 gross operating expenses include two extraordinary items.

The first item is an increase of \$680,000 to the Preventative Plumbing Program in the Wastewater utility. In the first ten months of 2017, the Preventative Plumbing Program has helped approximately 260 homeowners in the City of Kingston equating to approximately \$600,000 in financial assistance provided. Utilities Kingston has helped to install 145 Backwater Valves and 172 Sump Pumps. We have also removed 8 illegal sump pumps and 1 set of illegally connected foundation drains. This is approximately a 200% increase in back water valve and sump pump installations over 2016. The surge in uptake of the PPP is largely due to the amount of precipitation that Kingston has experienced in 2017.

It is expected that the Preventative Plumbing Program will be very active in 2018 as well. One contractor has advised us that they are projecting approximately 250 installs (this includes an adult community of 135 homes behind Rona) in 2018. If accurate and based on normal participation rates from previous years from other contractors, 2018 is likely to exceed the 2017 participation rates in the program. Consequently, we have budgeted accordingly for 2018.

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Figure 1 – Installed Backwater Valve



Figure 2 – Installed Sump Pump

The following table illustrates the increase spending required of the program in recent years.

Preventative Plumbing Program			
Year	Actuals	Budget	Variance
2013	\$220,860	\$366,796	-\$145,936
2014	\$270,417	\$375,649	-\$105,232
2015	\$265,687	\$290,373	-\$24,686
2016	\$314,051	\$299,733	\$14,318
2017 Jan-Oct	\$596,877	\$326,247	\$270,630

The second extraordinary item for 2018 is an increase in property tax expenses paid to the City of Kingston due to the completion and occupancy of the newly expanded Point Pleasant Water Treatment Plant in 2017. An increase in plant operating expenses was anticipated and included in the 15-year financial plan when the 4-year rate setting plan was approved by Council in 2015.

Excluding the two items described above, the 2018 gross operating expenses for the four municipally owned utility businesses are budgeted to increase 1.95% or \$647,000 over 2017. These increases are mainly a result of general inflationary pressures in line with the Bank of Canada’s inflation target of 2%.

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Wastewater and Water Utilities

The proposed 2018 operating budget for the wastewater and water utilities is an increase of approximately \$119,000 or 0.9% and \$343,000 or 2.4% respectively. The increase in the water utility above inflation is mainly due to the expected operating expense increases as a result of the expansion and upgrades to the Point Pleasant Water Treatment Plant.

The Wastewater Master Plan in considering future growth along outer Princess St (from Sir John A. McDonald to Parkway St) that includes the Sister's of Providence property and the Homestead property as well as other properties; identified infrastructure upgrades as being required to manage increased waste water flows. The following capital works would be required:

- The North End Trunk Sewer (NETS), Phase 1 from Parkway St to Portsmouth Ave. Estimated cost is \$3,800,000 comprised of \$2,280,000 from the Wastewater Reserve Fund and \$1,520,000 from the Impost Reserve Fund.
- The Princess St Collector, Phase 1, from Parkway Street to Indian Road. Estimated cost is \$1,600,000 comprised of \$640,000 from the Wastewater Reserve Fund and \$960,000 from the Impost Reserve Fund.

Neither project is currently identified in the existing approved Capital Budget. As these upgrades are required to provide capacity to facilitate development and the planning approvals process a capital budget amendment is required in order to ensure a commitment to the infrastructure upgrades can be timed to coincide with the timing of development approvals. At this time the actual expenditures are not forecasted to occur until 2020 - 2021.

Natural Gas Distribution Business

The 2018 natural gas distribution business operating budget is projected to increase approximately \$164,000 or 3.6%. The increase in expenditures within this business is a result of some increased operational and maintenance costs expected in 2018. Net operating revenues for the natural gas distribution business, after contribution to the gas reserve fund, amounts to a \$2 million contribution to the City's municipal capital reserve fund for 2018, similar to 2017.

Appliance Rental Business

The proposed 2018 operating budget for the appliance rental business is an increase of approximately \$21,000 or 4.2%. The increase in costs for this business is the result of the allocation of insurance costs and financial services costs to this business. Net operating revenues for the appliances rental business after contribution to the appliance rental reserve fund, is increasing \$124,000 to a total of \$1,164,000, \$483,000 to the City's Municipal Capital Reserve Fund and \$681,000 to the City's Environmental Reserve Fund.

The vast majority of appliance rental installations are in residential applications within the City of Kingston and over the past 20 years, tank installations have grown to over 9,500. Residential water heaters have an effective useful life of 10-15 years. Utilities Kingston's appliance rental business wishes to focus on re-capitalization of its existing stock. The appliance rental business

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has been operating with an approved 4 year (2015-2018) year budget of \$2.67 million. Total spending for the 2015-2018 years is now expected to approximate \$3.68 million. An additional capital budget of \$1.05 million for 2018 will provide the resources required to continue to grow the appliance rental business and reduce the maximum age of water heaters provided by Utilities Kingston.

Note

In the charts and graphs that follow, the data prior to 2017 is from audited financial statements.

For 2017, we show the approved 2017 operating budgets, and the approved 2017 capital budgets including carryover.

For 2018, we show the recommended operating budget values and the capital budgets which have been approved to 2018 and recommended for the Wastewater and Appliance Rental Businesses.

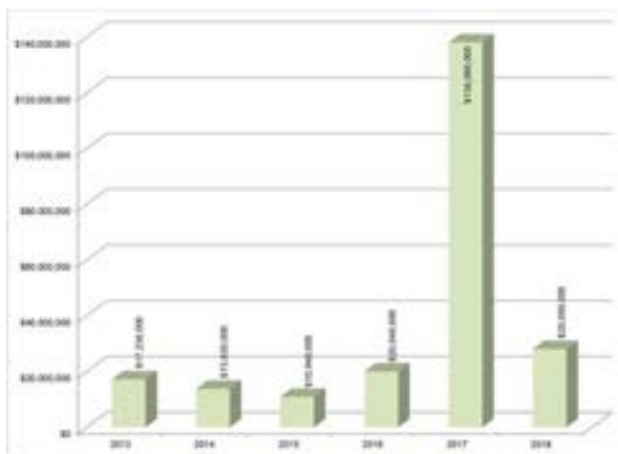
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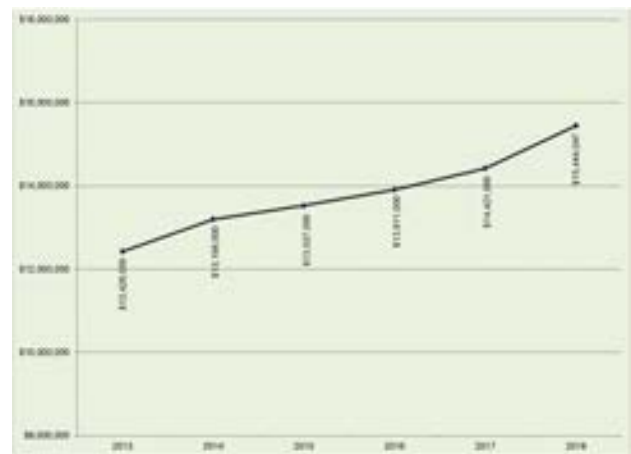
WASTEWATER UTILITY

Years	Capital Expenditures	Operating	Revenue
2013	\$17,238,000	\$12,426,000	\$26,656,000
2014	\$13,830,000	\$13,198,000	\$27,536,000
2015	\$10,940,000	\$13,527,000	\$28,314,000
2016	\$20,048,000	\$13,911,000	\$29,880,000
2017	\$138,066,000	\$14,421,000	\$29,944,000
2018	\$28,086,000	\$15,444,047	\$30,669,000

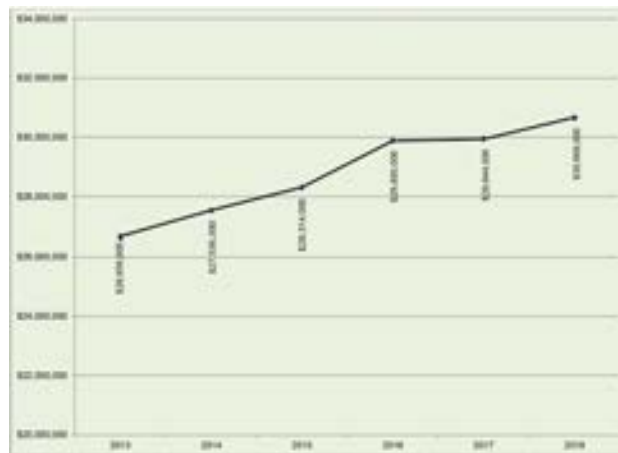
Wastewater Capital Expenditures



Wastewater Operating Expenses



Total Wastewater Revenues



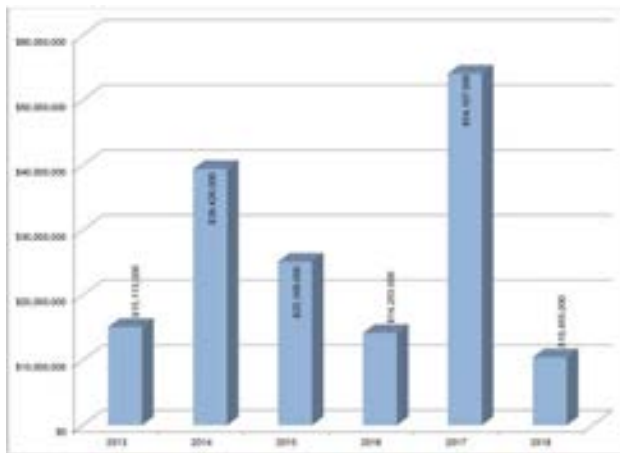
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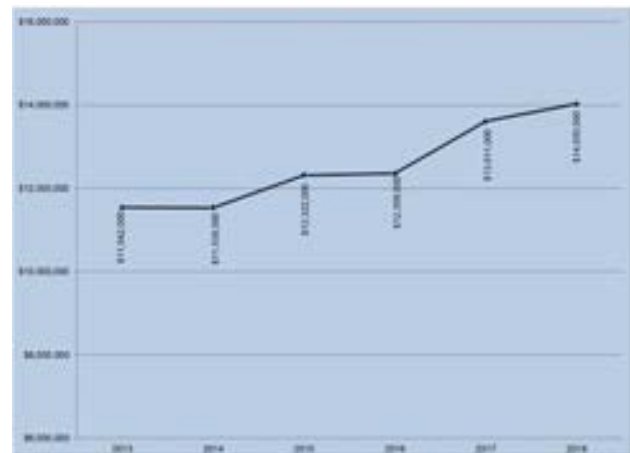
WATER UTILITY

Years	Capital Expenditures	Operating	Revenue
2013	\$15,113,000	\$11,542,000	\$22,832,000
2014	\$39,426,000	\$11,538,000	\$24,205,000
2015	\$25,169,000	\$12,322,000	\$24,974,000
2016	\$14,203,000	\$12,359,000	\$26,284,000
2017	\$54,107,000	\$13,611,000	\$25,986,000
2018	\$10,455,000	\$14,030,000	\$26,330,000

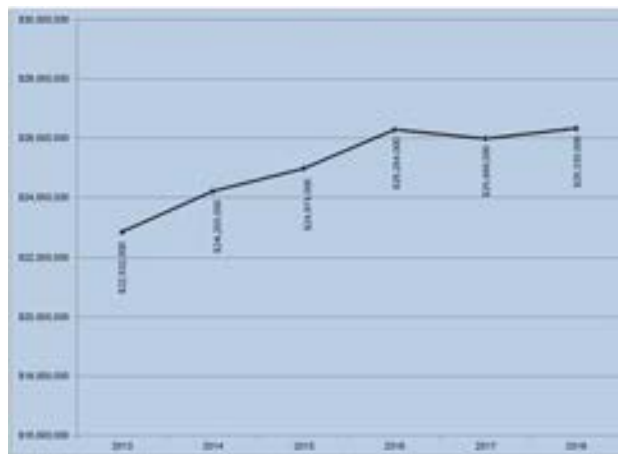
Water Capital Expenditures



Water Operating Expenses



Total Water Revenues



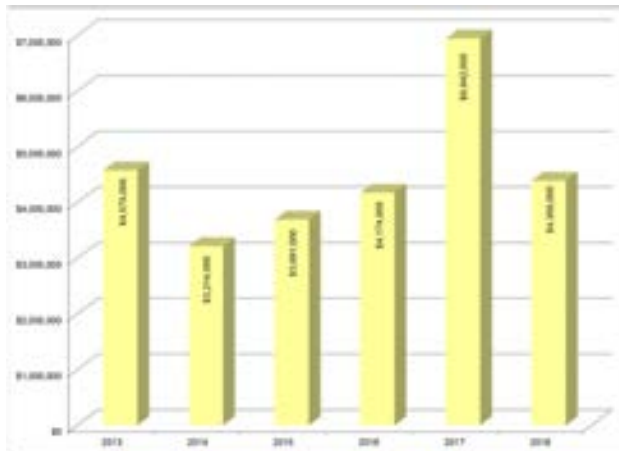
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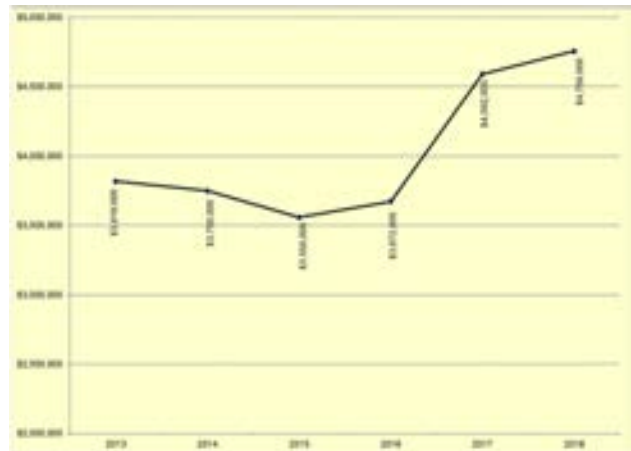
GAS UTILITY

Years	Capital Expenditures	Operating	Return to the City	Revenue
2013	\$4,575,000	\$3,819,000	\$3,000,000	\$10,403,000
2014	\$3,214,000	\$3,750,000	\$4,899,000	\$10,398,000
2015	\$3,691,000	\$3,558,000	\$3,500,000	\$10,003,000
2016	\$4,174,000	\$3,672,000	\$2,000,000	\$10,220,000
2017	\$6,942,000	\$4,592,000	\$2,000,000	\$9,906,000
2018	\$4,388,000	\$4,756,000	\$2,000,000	\$10,191,000

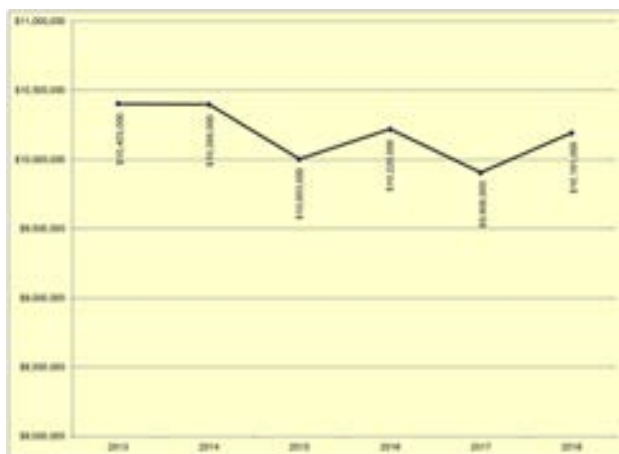
Gas Capital Expenditures



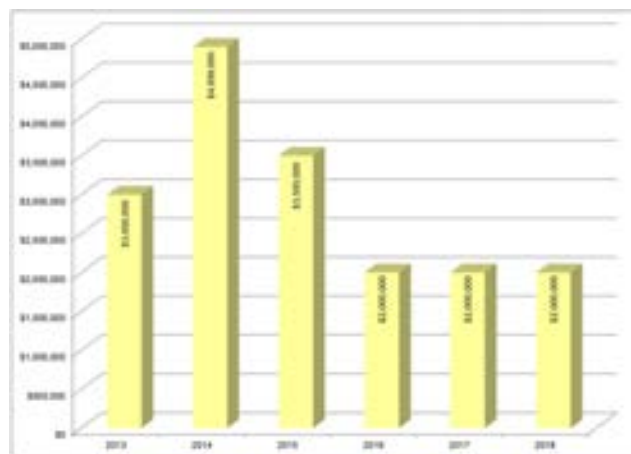
Gas Operating Expenses



Total Gas Revenues



Gas Return to the City



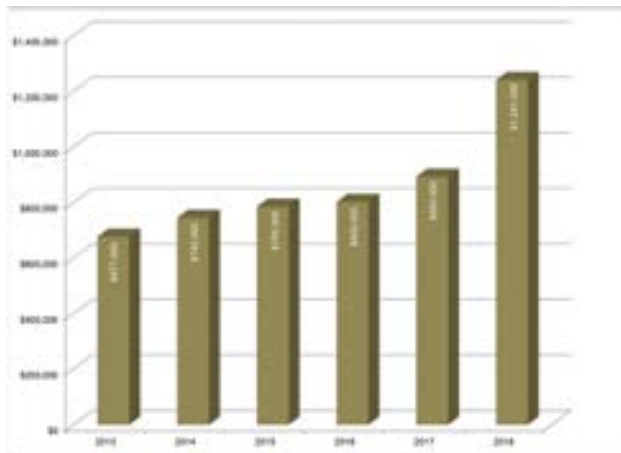
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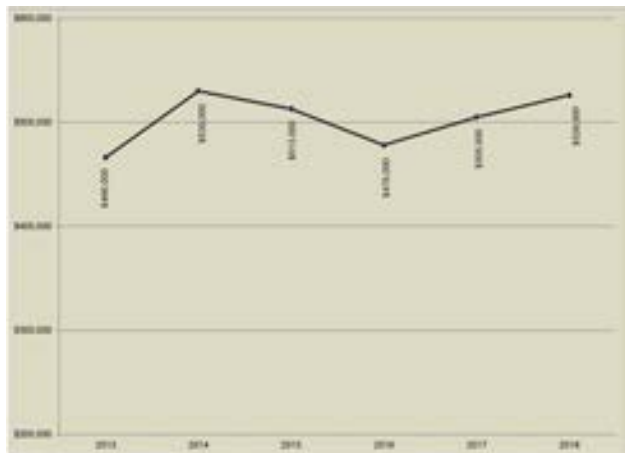
APPLIANCE RENTAL BUSINESS

Years	Capital Expenditures	Operating	Return to the City	Revenue	Operating Income
2013	\$677,000	\$466,000	\$825,000	\$2,102,000	\$1,637,000
2014	\$745,000	\$530,000	\$825,000	\$2,189,000	\$1,659,000
2015	\$785,000	\$513,000	\$1,000,000	\$2,339,000	\$1,826,000
2016	\$802,000	\$478,000	\$1,020,000	\$2,522,000	\$2,043,000
2017	\$893,000	\$505,000	\$1,040,000	\$2,550,000	\$2,045,000
2018	\$1,241,000	\$526,000	\$1,164,000	\$2,663,000	\$2,137,000

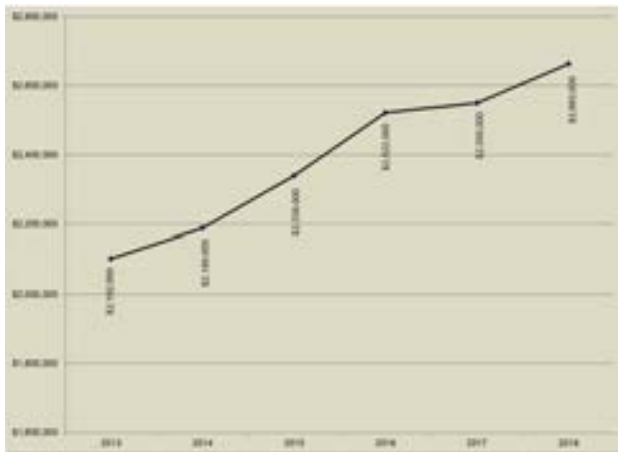
**Appliance Rental Business
Capital Expenditures**



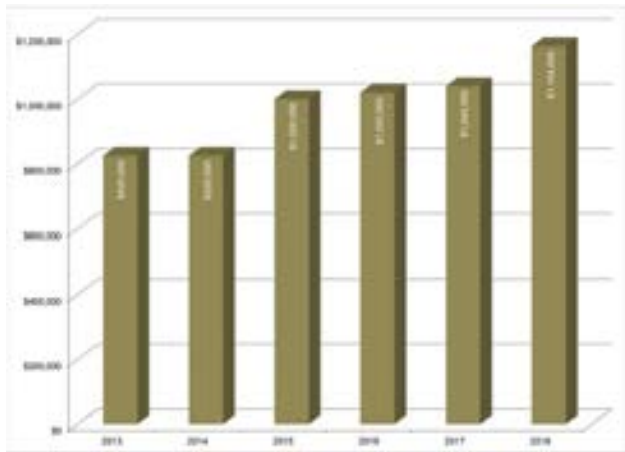
**Appliance Rental Business
Operating Expenses**



**Appliance Rental Business
Revenue**



**Appliance Rental Business
Return to the City**



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LOOKING FORWARD

The water and wastewater utilities continue to be closely monitored and regulated by both upper levels of government, changes in regulations at any time can result in additional operating and capital expenses not currently foreseen.

We are continually capturing additional information from our system monitoring equipment, our supervisory and control and data gathering systems, CCTV camera work and from our operating crews on a daily basis that will assist us in planning for future capital improvements.

In 2018, work will continue on planning for the next multi-year capital plan and budget expected for the 2019-2022 period.

Existing Policy/By-Law:

Not applicable.

Notice Provisions:

Not applicable.

Accessibility Considerations:

Not applicable.

Financial Considerations:

Since amalgamation, Utilities Kingston has worked to refine a fifteen year planning process and asset management principles for these municipal utilities (along with other assets that UK manages) and has adopted sufficient operating and maintenance practices to ensure maximum life expectancy from the assets. A very important portion of this has been in regards to managing the financing for this work and maintaining the proper balance between user rates, impost fees (for new development), debt, and working to obtain grant funding from upper levels of government.

Contacts:

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Sean Meleschuk, Vice President, Utilities Kingston, 613-546-1181 x2400

Randy Murphy, Chief Financial Officer, Utilities Kingston, 613-546-1181 x2317

Jim Miller, Director, Utilities Engineering, Utilities Kingston, 613-546-1181 x2475

Brad Joyce, Director, Electric and Business Services, Utilities Kingston, 613-546-1181 x2319

Kevin Riley, Director, Water & Wastewater Operations, Utilities Kingston, 613-546-1181 x2224

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Kevin McCauley, Director, Measurement & Communication Services, Utilities Kingston, 613-546-1181 x2247

Laura Deak, Manager of Finance, Utilities Kingston, 613-546-1181 x2465

Other City of Kingston Staff Consulted:

Gerard Hunt, Chief Administrative Officer, City of Kingston

Lana Foulds, Manager, Financial Planning, City of Kingston

Exhibits Attached:

Exhibit A – Wastewater Utility Budget Summary

Exhibit B – Water Utility Budget Summary

Exhibit C – Natural Gas Distribution Business Budget Summary

Exhibit D – Appliance Rental Business Budget Summary



Wastewater Utility Budget Summary

(Rounded to Nearest Thousand)

	<u>2018</u>
Total Revenue	\$ 30,669,000
Operating Expenses	<u>\$ 15,444,000</u>
Operating Surplus to Capital Reserve Fund	\$ 15,225,000
Less: Contribution to Facility Repair Fund	\$ 476,000
Less: Debt Costs	<u>\$ 4,582,000</u>
Net Operating to Capital Reserve Fund	<u><u>\$ 10,167,000</u></u>
January 1, 2018 Rate Increase (previously approved)	<u>3.5%</u>

**Corporation of the City of Kingston
Wastewater Utility
2018 Budget
Revenue and Expenditure**

	Actuals as of 30-Sep-17	Budget 2017	Budget 2018
Revenue			
Central			
Sewer rates	22,145,566	29,394,000	30,118,500
Other Revenue	586,901	550,000	550,000
Total Revenue	<u>22,732,467</u>	<u>29,944,000</u>	<u>30,668,500</u>
Operating expense			
Administration	2,230,257	3,902,035	4,042,656
Billing	502,612	668,127	721,084
Pumping & Treatment	6,349,526	7,478,328	7,671,695
Community Relations	661,544	519,527	1,186,695
Collection	821,997	1,140,452	1,121,871
Customer Service	548,533	712,210	700,047
Operating Expenses (Contracted Services)	<u>11,114,469</u>	<u>14,420,681</u>	<u>15,444,047</u>
Occupancy Costs	-	-	-
Master Plans	-	-	-
Total Operating Costs	<u>11,114,469</u>	<u>14,420,681</u>	<u>15,444,047</u>
Contribution to Reserve Funds	<u>11,617,998</u>	<u>15,523,319</u>	<u>15,224,453</u>
Debt Charges	3,332,250	4,443,000	4,582,000
Contribution to Facilities Repair Fund	357,323	476,000	476,000
Net increase to Wastewater Reserve Fund	7,952,916	10,604,319	10,166,453
Net Surplus	<u>(24,491)</u>	<u>-</u>	<u>-</u>

Corporation of the City of Kingston
Wastewater Utility
Operating Budget Forecast
(Rounded to Nearest Thousand)

	Budget 2018	Forecast 2019	Forecast 2020	Forecast 2021	Forecast 2022
Revenue					
Rates	30,118,000	31,021,000	31,952,000	32,910,000	33,898,000
Other	550,000	550,000	550,000	550,000	550,000
Rates and Other	30,668,000	31,571,000	32,502,000	33,460,000	34,448,000
Operating Expense					
Contracted Services	15,444,000	15,830,000	16,476,000	17,138,000	17,566,000
Net operating to Reserve Funds	15,224,000	15,741,000	16,026,000	16,322,000	16,882,000
Debt Repayment	4,582,000	5,421,544	6,292,459	6,492,476	6,458,651
Contribution to Facilities Repair Fund	476,000	476,000	476,000	476,000	476,000
Net increase to Capital Reserve Fund	10,166,000	9,843,456	9,257,541	9,353,524	9,947,349
	15,224,000	15,741,000	16,026,000	16,322,000	16,882,000

**City of Kingston
Wastewater Reserve Fund
Year End Projections 2017-2031**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Municipal Utility																
Opening Balance - January 1	36,384,959	35,898,660	27,872,716	16,627,961	7,263,754	4,655,951	3,816,823	4,331,677	5,255,798	8,091,909	11,803,026	15,833,818	19,671,601	22,762,694	26,764,882	27,710,956
Contributions:																
General Fund	14,762,888	14,748,022	15,285,476	16,550,384	15,947,688	16,406,982	16,983,765	17,581,098	18,198,601	18,836,937	19,496,787	20,178,857	20,883,873	21,612,585	22,365,770	23,144,225
Previous Years Surplus from General																
Grants	2,475,000															
	17,237,888	14,748,022	15,285,476	16,550,384	15,947,688	16,406,982	16,983,765	17,581,098	18,198,601	18,836,937	19,496,787	20,178,857	20,883,873	21,612,585	22,365,770	23,144,225
Interest	1,087,792	942,286	667,646	353,080	176,153	125,189	120,406	141,697	197,257	294,014	408,426	524,711	627,108	731,832	805,659	896,948
Drawdowns:																
Capital Expenditures	124,600	9,975,750	10,131,000	17,470,500	9,795,000	10,895,000	9,375,000	10,120,000	8,645,000	8,900,000	9,900,000	11,535,000	13,086,000	12,491,000	17,910,400	17,910,400
Capital Expenditures-additional	2,890,000	2,950,000														
Cash Flow Adjustments	(22,483,862)	(5,413,938)	(2,532,750)	(4,387,625)	(2,446,250)	(2,673,750)	(2,343,750)	(2,530,000)	(2,161,250)	(2,437,500)	(2,483,750)	(2,475,000)	(3,271,500)	(3,122,750)	(4,477,600)	(4,477,600)
Prior Year Approvals	33,740,376	11,246,781	13,740,718	5,452,750	4,367,625	2,446,250	2,673,750	2,343,750	2,161,250	2,437,500	2,483,750	2,475,000	3,271,500	3,122,750	4,477,600	4,477,600
- Principal and Interest - Issued Debt	4,136,175	4,374,590	4,338,037	4,306,574	4,271,381	4,237,556	4,203,730	4,171,571	3,838,468	3,806,231	3,468,540	2,986,921	2,853,079	2,916,471	2,884,717	2,569,510
- Principal and Interest - Approved - Not Yet Issued	0	207,169	1,093,507	1,986,885	2,221,095	2,221,095	2,221,095	2,221,095	2,221,095	2,221,095	2,221,095	2,221,095	2,221,095	2,221,095	2,221,095	2,221,095
Short term Interest	346,203	346,203	346,203	346,203	346,203	346,203	346,203	346,203	346,203	346,203	346,203	346,203	346,203	346,203	346,203	346,203
Impost Post Period benefits funded by wastewater	37,777	48,296	61,161	73,382	85,970	98,935	112,289	126,044	140,211	154,804	169,834	185,315	201,281	217,000	217,000	217,000
Impost Post Period benefits interest	18,771,570	23,708,252	27,872,716	25,267,670	18,631,024	17,371,289	16,568,317	16,798,663	15,569,748	15,419,833	15,874,422	16,867,794	18,419,887	18,342,519	22,224,865	18,769,608
	35,880,660	27,872,716	16,627,961	7,263,754	4,655,951	3,816,823	4,331,677	5,255,798	8,091,909	11,803,026	15,833,818	19,671,601	22,762,694	26,764,882	27,710,956	27,710,956
Closing Balance - December 31																



Water Utility Budget Summary

(Rounded to Nearest Thousand)

	<u>2018</u>
Total Revenue	\$ 26,330,000
Operating Expenses	<u>\$ 14,030,000</u>
Operating Surplus to Capital Reserve Fund	\$ 12,300,000
Less: Contribution to Facility Repair Fund	\$ 476,000
Less: Debt Costs	<u>\$ 2,385,000</u>
Net Operating to Capital Reserve Fund	<u>\$ 9,439,000</u>
January 1, 2018 Rate Increase (previously approved)	<u>3.0%</u>

**Corporation of the City of Kingston
Water Utility
2018 Budget
Revenue and Expenditure**

	Actuals as of 30-Sep-17	Budget 2017	Budget 2018
Revenue			
Water rates	19,242,739	25,622,000	25,966,000
Other Revenue	345,952	364,000	364,000
Total Revenue	19,588,691	25,986,000	26,330,000
Operating expense			
Administration	2,261,032	3,283,299	3,411,077
Billing	487,612	668,127	710,521
Pumping & Treatment	3,295,136	4,447,809	4,790,457
Community Relations	116,856	207,452	193,879
Distribution	3,059,556	4,289,193	4,223,574
Customer Service	555,084	715,510	700,047
Operating Expenses (Contracted Services)	9,775,277	13,611,390	14,029,555
Occupancy Costs	-	-	-
Master Plans	-	-	-
Total Operating Costs	9,775,277	13,611,390	14,029,555
Contribution to Capital Reserve Funds	9,813,414	12,374,610	12,300,445
Debt Charges	1,624,500	2,166,000	2,385,000
Contribution to Facilities Repair Fund	357,323	476,000	476,000
Net increase to Water Reserve Fund	7,299,344	9,732,610	9,439,445
Net Surplus	532,247	-	-

**Corporation of the City of Kingston
Water Utility
Operating Budget Forecast**
(Rounded to Nearest Thousand)

	Budget 2018	Forecast 2019	Forecast 2020	Forecast 2021	Forecast 2022
Revenue					
Rates	25,966,000	26,745,000	27,548,000	28,374,000	29,225,000
Other	364,000	364,000	364,000	364,000	364,000
Rates and Other	26,330,000	27,109,000	27,912,000	28,738,000	29,589,000
Operating Expense					
Contracted Services	14,030,000	14,380,000	14,740,000	15,108,000	15,486,000
Net operating to Capital Reserve Fund	12,300,000	12,729,000	13,172,000	13,630,000	14,103,000
Debt Repayment	2,385,000	2,636,000	2,629,000	2,621,000	2,613,000
Contribution to Facilities Repair Fund	476,000	476,000	476,000	476,000	476,000
Net increase to Water Reserve Fund	9,439,000	9,617,000	10,067,000	10,533,000	11,014,000
	12,300,000	12,729,000	13,172,000	13,630,000	14,103,000

**City of Kingston
Water Reserve Fund
Year End Projections 2017-2032**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Municipal Utility	32,331,126	16,036,692	16,924,375	17,589,763	19,296,002	20,763,167	22,570,389	24,633,172	27,234,090	28,553,043	29,575,707	32,340,455	35,933,512	37,884,960	40,731,589	40,186,038
Opening Balance - January 1																
Contributions:																
General Fund	11,486,178	11,824,314	12,252,564	12,695,416	13,153,350	13,626,865	14,116,474	14,622,707	15,146,111	15,687,251	16,246,709	16,825,089	17,423,009	18,041,112	18,680,060	19,340,534
Other	1,875,000															
Grants	976,878															
Previous Years Surplus from General	14,340,056	11,824,314	12,252,564	12,695,416	13,153,350	13,626,865	14,116,474	14,622,707	15,146,111	15,687,251	16,246,709	16,825,089	17,423,009	18,041,112	18,680,060	19,340,534
Interest	714,795	487,109	510,061	545,110	582,303	640,893	697,590	766,511	824,440	859,046	915,017	1,008,975	1,090,913	1,161,821	1,195,827	1,197,465
3%																
Drawdowns:																
Capital Expenditures	8,181,250	9,194,750	9,416,400	8,598,000	9,849,000	9,730,000	10,135,000	10,055,000	12,580,000	12,240,000	11,605,000	11,610,000	14,705,000	13,405,000	19,265,000	17,285,000
Unfunded prior year	7,336															
Cash Flow Adjustments	(2,045,313)	(2,298,688)	(2,354,100)	(2,149,500)	(2,480,750)	(2,432,500)	(2,533,750)	(2,513,750)	(3,145,000)	(2,560,000)	(2,401,250)	(2,402,500)	(3,176,250)	(2,851,250)	(4,316,250)	(4,316,250)
Prior Year Approvals	20,056,859	2,045,313	2,298,688	2,354,100	2,149,500	2,480,750	2,533,750	2,513,750	2,049,912	2,042,121	1,973,034	2,401,250	2,402,500	3,176,250	2,851,250	4,316,250
- Principal and Interest - Issued Debt	1,505,064	2,119,580	2,102,684	2,095,126	2,087,092	2,079,264	2,071,436	2,063,836	2,049,912	2,042,121	1,973,034	1,966,267	1,963,329	1,968,408	1,953,542	1,948,731
- Principal and Interest - Approved - Not Yet Issued	-	266,873	533,746	533,746	533,746	533,746	533,746	533,746	533,746	533,746	533,746	533,746	533,746	533,746	533,746	533,746
Capital Expenditures-grant	3,550,000															
Impost Post Period interest funded by water	94,090	96,913	99,820	102,815	106,899	109,076	112,349	115,719	119,191	122,766	126,449	130,243	134,150	134,150	134,150	134,150
Closing Balance - December 31	16,036,692	16,924,375	17,589,763	19,296,002	20,763,167	22,570,389	24,633,172	27,234,090	28,553,043	29,575,707	32,340,455	35,933,512	37,884,960	40,731,589	40,186,038	40,842,410



Natural Gas Distribution Business Budget Summary

(Rounded to Nearest Thousand)

	<u>2018</u>
Total Revenue	\$ 35,191,000
Less Operating Expenses	<u>\$ 29,756,000</u>
Net Earnings	\$ 5,435,000
Less: Contribution to Facility Repair Fund	\$ 173,000
Less Contribution to Municipal Capital Reserve Fund	<u>\$ 2,000,000</u>
Net Contribution to Gas Capital Reserve Fund	<u>\$ 3,262,000</u>
January 1, 2018 Distribution Rate Increase	<u>2.5%</u>

**Corporation of the City of Kingston
Natural Gas Distribution Business
2018 Budget
Revenue and Expenditures**

	Actuals as of 30-Sep-17	Budget 2017	Budget 2018
Energy & transportation			
Sales	12,368,169	25,000,000	25,000,000
Cost of sales	12,368,169	25,000,000	25,000,000
	-	-	-
Local distribution revenue	6,945,096	9,783,000	10,067,550
Other operating revenues			
Account set up charge	23,710	34,000	29,000
Late payment charges	29,792	28,050	33,000
Miscellaneous	431,890	60,950	61,000
Other Revenue	485,393	123,000	123,000
Total Revenue	7,430,489	9,906,000	10,190,550
Operating expenditures (Contracted Services)			
Administration	1,279,814	2,016,279	2,108,998
Billing	257,249	326,554	335,586
Distribution	1,372,435	1,794,369	1,884,677
Customer service	233,952	454,483	426,548
Operating Expenditures (Contracted Services)	3,143,450	4,591,684	4,755,809
Net Earnings	4,287,039	5,314,316	5,434,741
Contributions to Facilities Repair Reserve Fund	129,967	173,000	173,290
Contributions to Municipal Capital Reserve Fund	1,500,000	2,000,000	2,000,000
Net increase to Capital Reserve Fund	2,355,431	3,141,316	3,261,451
Net Surplus	301,640.79	-	-

**Corporation of the City of Kingston
Natural Gas Distribution Business
Operating Budget Forecast**

(Rounded to Nearest Thousand)

	Budget 2018	Forecast 2019	Forecast 2020	Forecast 2021	Forecast 2022
Revenue					
Rates	10,068,000	10,269,000	10,474,000	10,684,000	10,897,000
Other	123,000	123,000	123,000	123,000	123,000
Rates and Other	10,191,000	10,392,000	10,597,000	10,807,000	11,020,000
Operating Expense					
Contracted Services	4,756,000	4,851,000	4,948,000	5,047,000	5,148,000
Net operating revenue	5,435,000	5,541,000	5,649,000	5,760,000	5,872,000
Contribution to City of Kingston	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Contribution to Gas Capital Reserve Fund	3,435,000	3,541,000	3,649,000	3,760,000	3,872,000
Debt Repayment	-	-	-	-	-
Contribution to Facilities Repair Fund	173,000	173,000	173,000	173,000	173,000
Net Contribution to Gas Capital Reserve Fund	3,262,000	3,368,000	3,476,000	3,587,000	3,699,000

**City of Kingston
Gas Reserve Fund
Year End Projections 2017-2032**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Municipal Utility																
Opening Balance - January 1	5,683,276	2,037,714	1,846,365	2,082,157	2,256,634	2,398,035	2,415,635	2,552,814	2,699,391	2,896,019	3,189,527	3,560,372	3,927,551	4,388,933	4,887,232	5,516,364
Contributions:																
General Fund	3,182,574	3,261,451	3,367,685	3,476,045	3,586,572	3,699,309	3,794,301	3,891,393	3,990,628	4,092,053	4,195,712	4,301,652	4,409,921	4,520,568	4,633,642	4,749,195
Previous Years Surplus from General	3,182,574	3,261,451	3,367,685	3,476,045	3,586,572	3,699,309	3,794,301	3,891,393	3,990,628	4,092,053	4,195,712	4,301,652	4,409,921	4,520,568	4,633,642	4,749,195
Interest	114,103	57,400	58,057	64,120	68,803	71,153	73,425	77,619	82,720	89,964	99,752	110,659	122,904	137,086	153,748	173,771
Drawdowns:																
Capital Expenditures	4,259,430	4,387,750	2,890,500	3,463,000	3,387,500	3,591,000	3,394,500	3,442,000	3,379,000	3,298,000	3,253,000	3,345,000	3,285,000	3,340,000	3,255,000	3,255,000
Cash Flow Adjustments	(877,550)	(877,550)	(578,100)	(692,600)	(677,500)	(718,200)	(678,900)	(688,400)	(675,800)	(659,600)	(650,600)	(669,000)	(657,000)	(668,000)	(651,000)	(651,000)
Prior Year Approvals	2,682,809	0	877,550	578,100	692,600	677,500	718,200	678,900	688,400	675,800	659,600	650,600	669,000	657,000	668,000	651,000
- Principal and interest - planned - not yet issued	-	-	-	17,188	93,187	186,373	279,560	372,747	465,933	559,120	652,307	708,219	764,131	820,043	875,955	931,867
Short term interest	-	-	-	17,188	17,188	17,188	17,188	17,188	17,188	17,188	10,313	10,313	10,313	10,313	10,313	10,313
	6,942,239	3,510,200	3,189,950	3,365,688	3,512,974	3,753,861	3,730,548	3,822,434	3,874,721	3,890,508	3,924,619	4,045,131	4,071,443	4,159,355	4,158,267	4,197,179
Closing Balance - December 31	2,037,714	1,846,365	2,082,157	2,256,634	2,399,035	2,415,635	2,552,814	2,699,391	2,898,019	3,189,527	3,560,372	3,927,551	4,388,933	4,887,232	5,516,364	6,242,140



Appliance Rental Business Budget Summary

(Rounded to Nearest Thousand)

	2018
Total Revenue	\$ 2,663,000
Less Operating Expenses	<u>\$ 526,000</u>
Net Earnings	\$ 2,137,000
Transfer to Environmental Reserve Fund	\$ 681,000
Transfer to Municipal Capital Reserve Fund	<u>\$ 483,000</u>
Net Transfer to Appliance Rental Reserve Fund	<u>\$ 973,000</u>
2018 Additional Capital Budget	<u><u>\$ 1,050,000</u></u>

**Corporation of the City of Kingston
Appliance Rental Business
2018 Budget
Revenue and Expenditures**

	Actuals as of 30-Sep-17	Budget 2017	Budget 2018
Revenue			
Rental Revenue	1,939,742	2,550,000	2,663,220
Gross Revenue	-		
Total Revenue	<u>1,939,742</u>	<u>2,550,000</u>	<u>2,663,220</u>
Operating expenditures			
Operating Expenditures (Contracted Services)	<u>385,752</u>	<u>505,000</u>	<u>525,823</u>
Net Operating Surplus	1,553,990	2,045,000	2,137,397
Contributions to Environment Reserve Fund	499,050	665,000	681,000
Contributions to Municipal Capital Reserve Fund	281,250	375,000	483,000
Contributions to Appliance Rental Reserve Fund	<u>753,632</u>	<u>1,005,000</u>	<u>973,397</u>
Net Surplus	<u><u>20,058</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

**Corporation of the City of Kingston
Appliance Rental Business
Operating Budget Forecast**

(Rounded to Nearest Thousand)

	Budget 2018	Forecast 2019	Forecast 2020	Forecast 2021	Forecast 2022
Revenue					
Rates	2,663,000	2,716,000	2,771,000	2,826,000	2,883,000
Operating Expense					
Contracted Services	526,000	536,000	547,000	558,000	569,000
Net Operating Revenue	2,137,000	2,180,000	2,224,000	2,268,000	2,314,000
Contribution to Environmental Reserve Fund	681,000	680,000	680,000	682,500	696,000
Contribution to Municipal Capital Reserve Fund	483,000	680,000	680,000	682,500	696,000
Contribution to Appliance Rental Reserve Fund	973,000	820,000	864,000	903,000	922,000
	2,137,000	2,180,000	2,224,000	2,268,000	2,314,000

**City of Kingston
Appliance Rentals Reserve Fund
Year End Projections 2017-2032**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Municipal Utility																
Opening Balance - January 1	1,140,612	1,320,104	1,130,509	779,241	461,322	173,933	201,062	247,551	262,140	376,779	493,948	614,720	740,218	871,623	1,010,169	1,157,149
Contributions:																
General Fund	2,106,243	2,137,397	2,180,145	2,223,748	2,268,223	2,313,587	2,359,859	2,407,056	2,455,197	2,504,301	2,554,387	2,605,475	2,657,585	2,710,736	2,764,951	2,820,250
Other																
Previous Years Surplus from General																
Interest	36,365	36,216	28,223	18,333	9,388	5,542	6,630	7,532	9,442	12,868	16,384	20,024	23,820	27,810	32,029	36,518
Drawdowns:																
Capital Expenditures	690,000	1,200,000	1,160,000	1,200,000	1,200,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000
Closed Projects	28,809															
Prior Year Approvals	203,907		39,636													
Transfers to Environment Reserve	665,400	680,708	680,000	680,000	682,500	686,000	710,000	750,000	725,000	750,000	775,000	800,000	825,000	850,000	875,000	900,000
- Principal and interest - issued debt																
- Principal and interest - approved - not yet issued	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
- Principal and interest - planned - not yet issued	375,000	482,500	680,000	680,000	682,500	686,000	710,000	750,000	725,000	750,000	775,000	800,000	825,000	850,000	875,000	900,000
Transfers to MCRF	1,963,116	2,363,208	2,559,636	2,560,000	2,565,000	2,292,000	2,320,000	2,400,000	2,350,000	2,400,000	2,450,000	2,500,000	2,550,000	2,600,000	2,650,000	2,700,000
Closing Balance - December 31	1,320,104	1,130,509	779,241	461,322	173,933	201,062	247,551	262,140	376,779	493,948	614,720	740,218	871,623	1,010,169	1,157,149	1,313,918
																2,813,511