

COMMUNICATION 130178

Received from: Trisa McConkey, CPA, CGA, Treasurer
Addressed to: Committee of the Whole
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Topic: 2020 Water and Sewer Budget

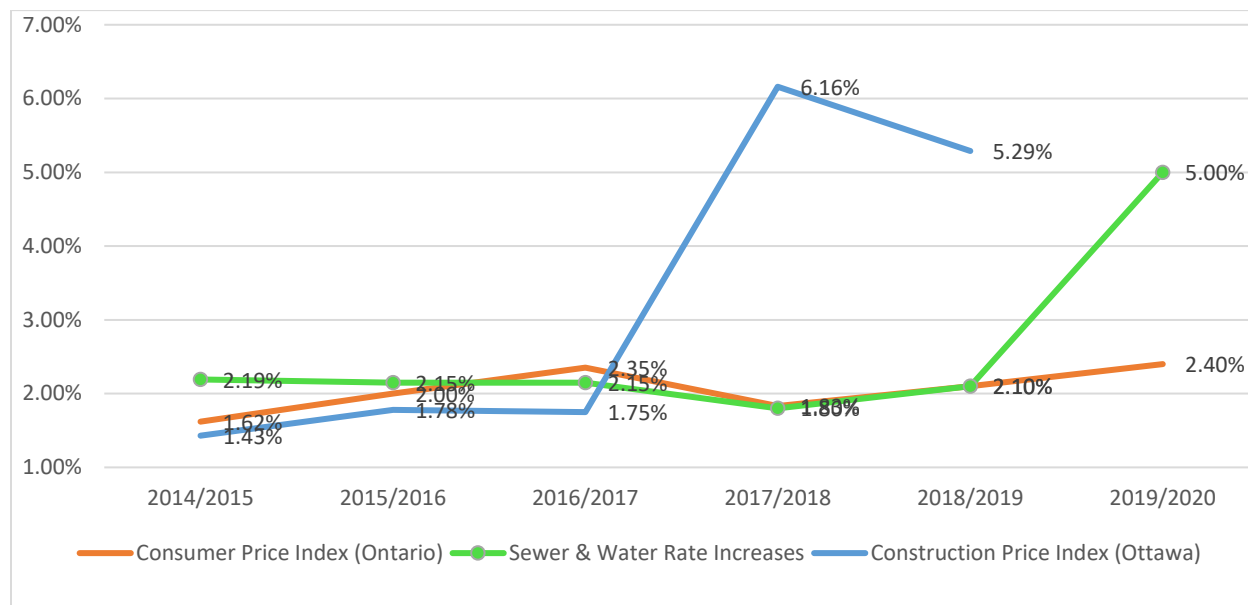
SUMMARY:

Staff has prepared a draft Water and Sewer Budget for 2020 which requires a 5% increase to water and sewer rates. Staff is seeking Council's permission to present the draft budget to the public for comment during the October 8, 2019 Committee of the Whole Meeting.

COMMENT:

Earlier in 2019, staff issued a tender for the Bridge Street Pumping Station project and received three (3) bids which exceeded the planned budget by more than 2 ½ times. Staff believe that at least some of the unexpected increase was due to the timing of the tender and as a result, Staff plans to retender the project later this fall. The remaining increase is due to an overall increase in construction prices. Analysis of the Construction Price Index for the Ottawa area indicates that construction costs in the last three (3) years are rising at a much higher rate than the Consumer Price Index (CPI) which is the index staff has relied on when recommending previous water and sewer rate increases.

The chart below compares CPI, water and sewer rate increases and the Construction Price Index for the Ottawa area.



Increased construction costs have had a significant impact on the long-term capital plan for water and sewer. Planned projects were reviewed and several timelines have been moved by one or two years where Public Works staff felt the project could be delayed.

Staff is now forecasting that the current level of reserve contributions is insufficient to fund the necessary projects over the next 10 years. As a result, an increase of 5% to water and sewer rates is recommended for 2020. Increases greater than CPI may be needed in future years as well, depending on the level of pricing we see regarding capital construction projects over the next year.

The following table shows a high-level summary of the proposed water and sewer budget:

REVENUES	2018 BUDGET	% CHANGE	2019 DRAFT BUDGET
Water & Sewer Billings	\$4,516,875	8%	\$4,670,000
Hydrant Rental	25,000	0%	25,000
Total Revenues	\$4,541,875	8%	\$4,695,000
EXPENDITURES			
WASTEWATER			
Wastewater Treatment Plant Operations	\$1,019,213	2%	\$1,043,674
Management Fee - OCWA	171,088	3%	176,900
Administration Allocation	125,000	2%	127,000
Property Taxes	32,000	2%	32,700
Wastewater Distribution Operations	153,000	9%	167,000
Custom Work-Sewage	2,500	0%	2,500
Total Wastewater Operations	\$1,502,801	3%	\$1,549,774
WATER			
Water Treatment Plant Operations	\$616,849	2%	\$631,654
Management Fee - OCWA	103,546	3%	107,100
Administration Allocation	125,000	4%	127,000
Property Taxes	32,000	2%	32,700
Water Distribution Operations	367,000	36%	500,000
Custom Work-Water	2,500	0%	2,500
Total Water Operations	\$1,246,895	12%	\$1,400,954
Surplus/(Deficit) from Operations	\$1,792,179	7%	\$1,744,272
Capital Projects	\$1,801,047	45%	\$2,601,761
Contribution to Reserve	(\$8,868)		(\$868,812)

The only significant operational pressures for 2020 are the addition of a Water/Sewer Operator to help manage growth in the Town's distribution and collection systems and an increased reliance on rented equipment. Over the 2014 through 2018 period, the wastewater collection system increased from 53 km to 60 km or 13% and the water distribution system increased from 52 km to 67 km or 29%. In 2014 we had 1 full-time equivalent (FTE) to look after 5.075 km of pipe and despite the addition of an operator in 2018, at the end of 2018 we had 1 FTE to look after 5.26 km of pipe. Public Works

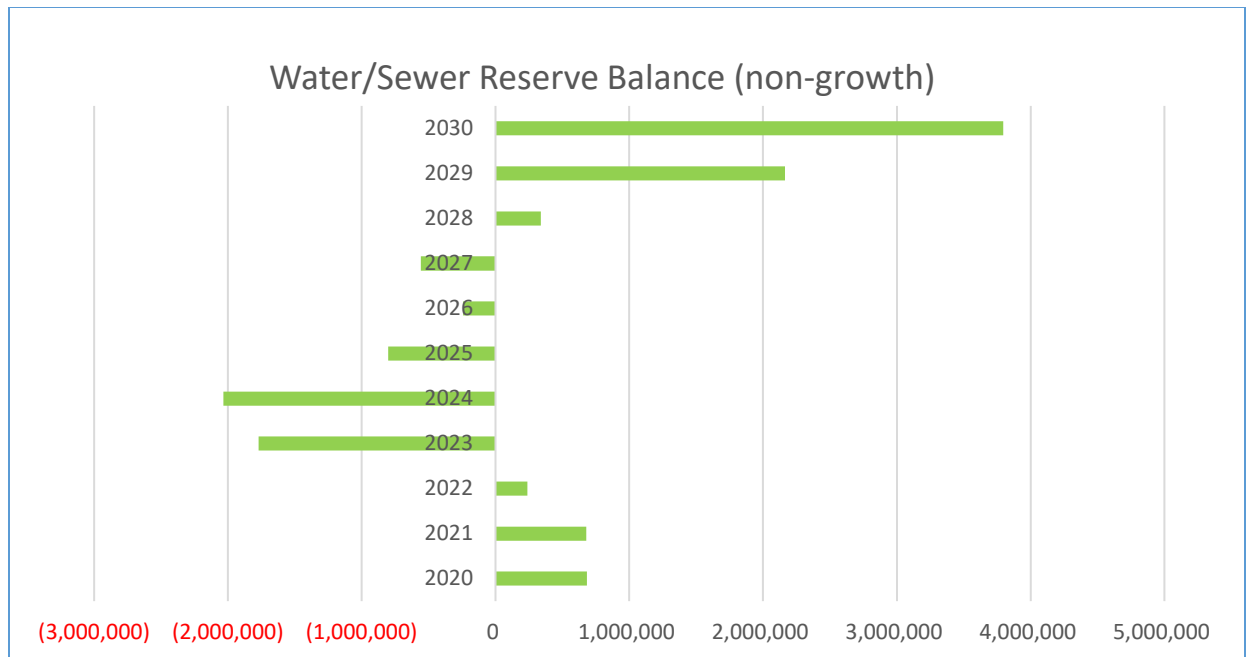
staff has continued commissioning new pipe at an increasing rate throughout 2019, hence the need for additional staff.

The following table shows the non-growth-related capital items included in this draft budget for 2020:

PROJECT DESCRIPTION	2019 DRAFT BUDGET
Major Maintenance - Sewage & Water Plants	\$340,500
Lake Avenue Monitoring	\$30,000
Allan Street	\$455,000
Bell Street	\$325,000
Pumping Station - Bridge Street	\$1,000,000
Reimbursement to Hydro Fund	\$122,718
Debt Payment- Centrifuge - Matures 2025	\$329,866
Total Capital Projects (Non-Growth)	\$2,601,761

Over the next 10 years there is \$20 million in planned non-growth capital projects after updating the budgeted costs to reflect current construction rates. Using current forecasts, this will leave the water/sewer reserve short in funds by \$1.77 million in 2023; \$2.0 million in 2024; \$800,000 in 2025 and \$250,000 in 2026 assuming we plan for CPI increases after this year. The reserve is forecasted to return to a positive position by 2028. Funds to cover the shortages up to and including 2026 can be borrowed from the growth reserve until the Water and Waste Water Treatment Plant expansions are complete and external debt is issued. We will need to review this strategy for the 2021 budget once we see how construction costs come in next year.

The following chart depicts forecasted water/sewer reserve balances at the end of each year during the 10-year planning period.



In terms of growth-related projects, we plan to complete the Forcemain from the Water Treatment Plant to the Sewage Treatment Plant with a budget of \$260,000. There is one more year of a \$97,500 debt payment for Highway 7 servicing and staff anticipates beginning the Environment Assessment (EA) process for the Sewage Treatment Plant with a budget of \$20,000. The growth reserve is estimated to be \$11.28 million at the end of 2020.

FINANCIAL IMPLICATIONS

The proposed 5% increase to water and sewer rates will result in a total charge of \$935.68 per year for a residential property with one or two people; an increase of \$44.52 per year (\$3.71 per month) over 2019 rates.

Carleton Place's rates still compare favorably with other municipalities. This increase will bring us to approximately the same level as Arnprior, and our rates will remain lower than Perth, Smiths Falls and Mississippi Mills.

STAFF RECOMMENDATION

THAT staff be authorized to present the draft 2020 Water and Sewer budget to the public for comment at the Committee of the Whole meeting on October 8, 2019.