

COMMUNICATION 131117

Received from: Trisa McConkey, CPA, CGA, Treasurer
Addressed to: Committee of the Whole
Date: October 27, 2020
Topic: 2021 Water and Sewer Budget

SUMMARY:

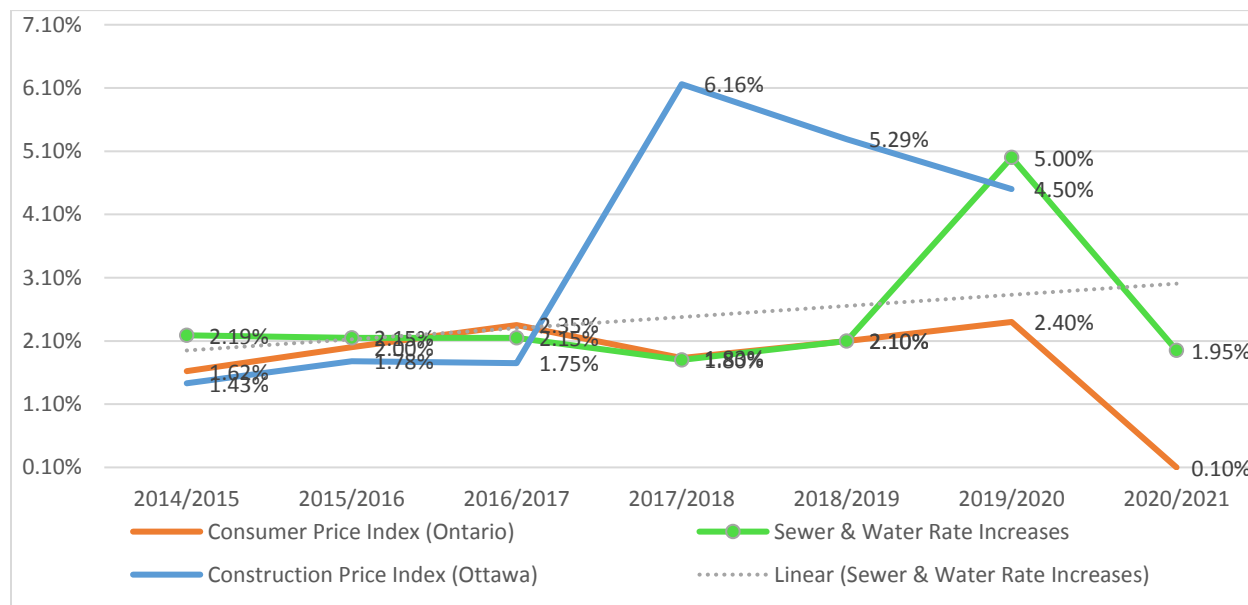
Staff has prepared a draft Water and Sewer Budget for 2021 which requires a 1.95% increase to water and sewer rates. Staff is seeking Council's permission to present the draft budget to the public for comment during the November 10, 2020 Committee of the Whole Meeting.

COMMENT:

As indicated during the 2020 Water and Sewer budgeting process, 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. This led to Council approving a 5% increase in rates for 2020.

Although the CPI for the 12-month period from August 2020 to August 2021 is only 0.1%, the annual average remains at 1.9%. In addition, the Construction Price Index increased by 4.5% over the 2019/2020 period.

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 remains insufficient to fund the necessary projects over the next 10 years. As a result, an increase of 1.95% to water and sewer rates is recommended for 2021. 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 few next years.

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

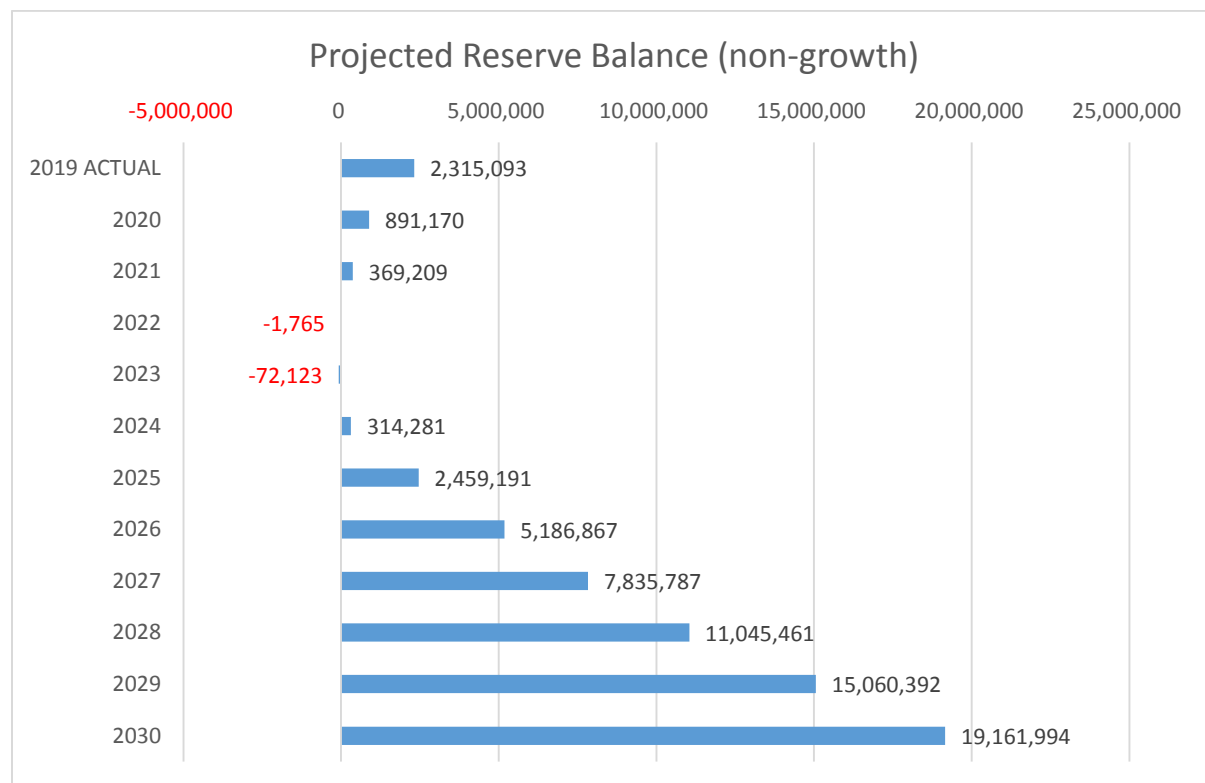
REVENUES	2020 BUDGET	% CHANGE	2021 DRAFT BUDGET
Water & Sewer Billings	\$4,741,626	8%	\$5,133,600
Hydrant Rental	25,000	0%	25,000
Total Revenues	\$4,766,626	8%	\$5,158,600
EXPENDITURES			
WASTEWATER			
Wastewater Treatment Plant Operations	\$1,043,674	1%	\$1,054,654
Management Fee – OCWA	176,900	(38%)	109,532
Contract Capital	20,000	0%	20,000
Administration Allocation	127,000	2%	129,540
Property Taxes	32,700	2%	33,354
Wastewater Distribution Operations	367,000	20%	439,556
Custom Work-Sewage	2,500	0%	2,500
Total Wastewater Operations	\$1,769,774	1%	\$1,789,136
WATER			
Water Treatment Plant Operations	\$631,654	(5%)	\$598,890
Management Fee – OCWA	107,100	69%	180,979
Contract Capital	10,000	0%	10,000
Administration Allocation	127,000	2%	129,540
Property Taxes	32,700	2%	33,354
Water Distribution Operations	500,000	36%	543,401
Custom Work-Water	2,500	0%	2,500
Total Water Operations	\$1,410,954	6%	\$1,498,664
Debt Repayment	452,584		451,261
Surplus/(Deficit) from Operations	\$1,133,314	7%	\$1,419,539

The only significant operational pressure for 2020 is attributable to the full year costs related to the addition of a Water/Sewer Operator in 2020. No further staffing changes are recommended at this time. OCWA estimates for operations at both treatment plants have decreased and the management fees increased. These changes to the budget were made to better align to historical actuals. Overall, the estimated cost for services provided by OCWA have decreased by 1%.

Non-growth-related capital items are paid for by the current users of the system and not by developers. The following table shows the non-growth-related capital items included in the draft 2021 budget:

PROJECT DESCRIPTION	2021 DRAFT BUDGET
Major Maintenance - Sewage & Water Plants	\$350,000
Lake Avenue Monitoring	\$30,000
Lateral Camera - Sewer	\$14,000
Bell Street	\$460,000
Pumping Station - Joseph Street	\$975,000
Miguel Street Watermain Replacement	\$70,000
Gillies Bridge Watermain (benefit to existing)	\$408,103
GIS/GPS (50% Roads)	\$17,500
Bridge Street Pumping Station Landscaping	\$10,000
Water Tower Fencing	\$15,000
Total Capital Projects (Non-Growth)	\$2,349,603

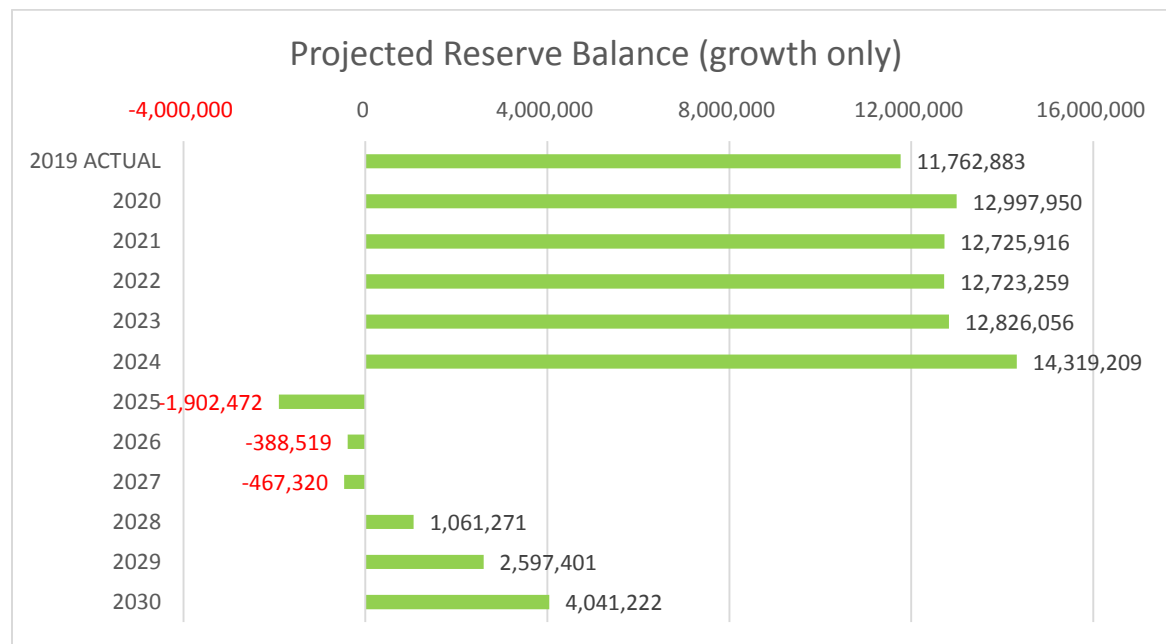
Over the next 10 years there is \$11.4 million in planned non-growth capital projects. The following chart depicts forecasted water/sewer reserve balances at the end of each year during the 10-year planning period.



The following table shows the growth-related capital items included in the draft 2021 budget:

GROWTH PROJECT DESCRIPTION	2021 DRAFT BUDGET
Third River Watermain Crossing (growth only)	\$658,137
Water and Sewer Servicing Study	\$100,000
Water Storage Expansion Environmental Assessment	\$520,000
Treatment Plant Expansions Environmental Assessments	\$300,000
Total Capital Projects (Growth)	\$1,578,137

Over the next 10 years there is \$28.6 million in planned growth-related capital projects. These projects are paid for directly by the developers that are creating growth and not by current users of the system. The following chart depicts forecasted water/sewer reserve balances at the end of each year during the 10-year planning period:



FINANCIAL IMPLICATIONS

The proposed 1.95% increase to water and sewer rates will result in a total charge of \$953.44 per year for a residential property with one or two people which is an increase of \$18.24 per year (\$1.52 per month) over 2020 rates.

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

STAFF RECOMMENDATION

THAT staff be authorized to present the draft 2021 Water and Sewer budget to the public for comment at the Committee of the Whole meeting on November 10, 2020.