

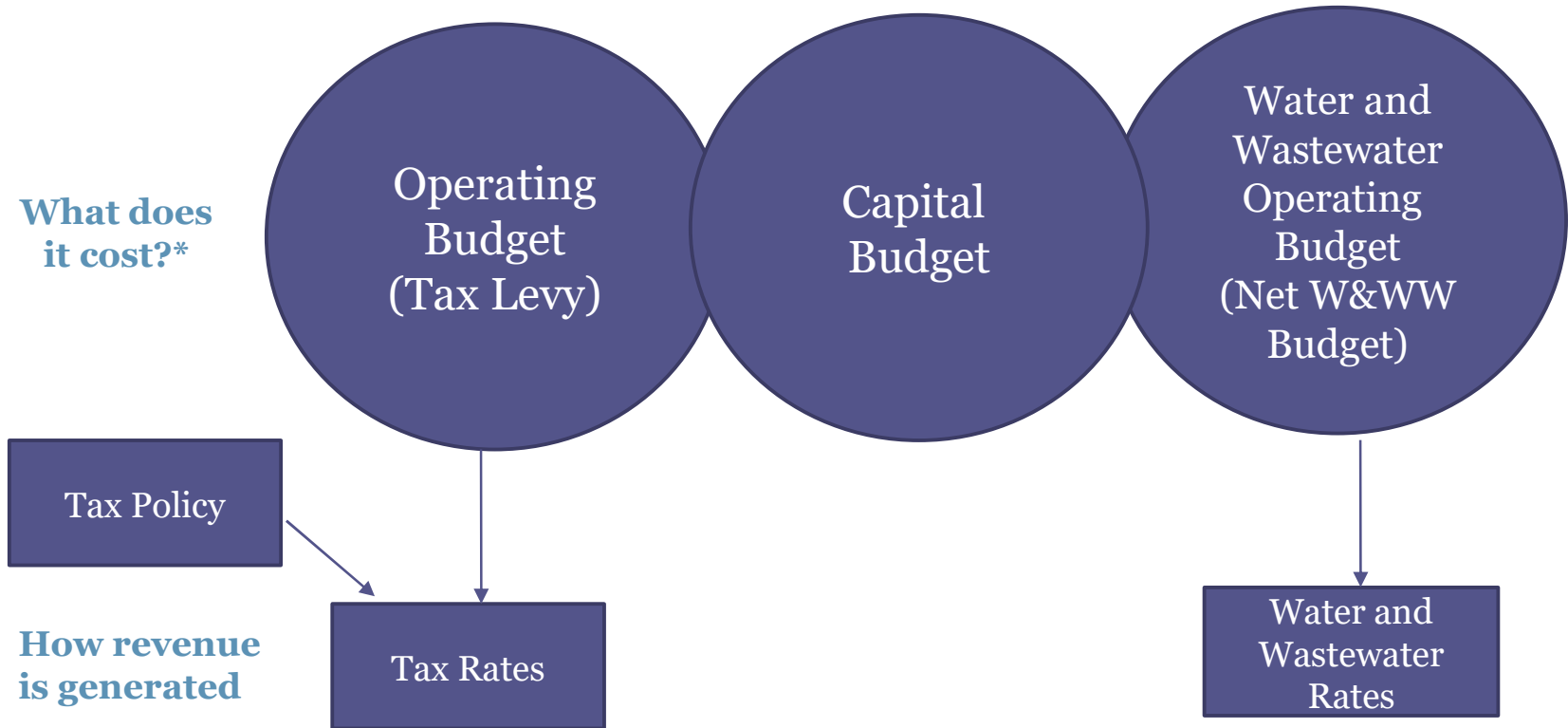
# 2023 Water and Wastewater Budget and Calculated Rates

Special Committee Meeting  
January 4, 2022

# Agenda

- Introduction to Municipal Budgeting
- 2023 Water and Wastewater Operating Budget
- Reserve Projected Balances
- Calculated Rates

# Municipal Budgets




\*Operating Budgets are presented in terms of the revenue that is required to fund operating expenses net of other ancillary sources of revenue such as user fees, grants, reserve funding, etc. The net amount is the funding that is required to be raised from either taxes or water and wastewater rates.

# 2023 Water and Wastewater Operating Budget


	2022 Budget	2023 Council Review	Variance Increase / (Decrease)	Change %
<b>Wastewater System</b>				
SANITARY SEWER DISTRIBUTION	9,259,667	9,736,941	477,274	5.15%
SANITARY SEWER PLANT	2,329,273	2,741,604	412,331	17.70%
<b>Total Wastewater System:</b>	<b>11,588,940</b>	<b>12,478,545</b>	<b>889,605</b>	<b>7.68%</b>

Net revenue to be collected from Wastewater rates



<b>Water System</b>				
WATER DISTRIBUTION	10,605,417	10,846,825	241,408	2.28%
WATER PLANT	2,064,891	2,274,570	209,679	10.15%
<b>Total Water System:</b>	<b>12,670,308</b>	<b>13,121,395</b>	<b>451,087</b>	<b>3.56%</b>
<b>Water and Wastewater Total:</b>	<b>24,259,248</b>	<b>25,599,940</b>	<b>1,340,692</b>	<b>5.53%</b>

Net revenue to be collected from Water rates



# Water & Wastewater Operating Budget

- Drinking water system owners are required to prepare a long-range financial plan for their drinking water system as part of the Municipal Drinking Water Licensing Program as set out in Part V of the Safe Drinking Water Act (SDWA).
- Wastewater system currently does not have a long-range financial plan, however, does operate with legislative requirements
- Water and Wastewater service areas have an operating budget, capital budget and reserve funds.
  - Operating fund day-to-day activities
  - Operating Expenditures less ancillary revenues equals funds to be generated by water and wastewater bills

# Water & Wastewater Capital Budget

- Capital fund records expenditures and financing sources for the acquisition, rehabilitation or replacement of capital assets for water and wastewater:
  - Water Treatment Plant
  - Water Distribution Infrastructure
  - Wastewater Treatment Plant
  - Wastewater Distribution Infrastructure
- Sources of revenue:
  - Operating budget - capital levy (also referred to as “pay-as-you-go”)
  - Debenture (debt) \$3 million per year
  - Transfers from Reserve Funds
  - Grants and Subsidies
    - OCIF – Ontario Community Infrastructure Fund

# Preliminary Capital Budget

## Preliminary 2023 Water and Wastewater Capital Budget - Budget Dollars > \$500,000

Project	Project Classification	LTD	2023	2023	2023	Comment
		Approved Budget		Other Funding Sources	Levy Funded	
3825SS - Wastewater Treatment Plant - Intake Chamber Replacement	AIM	566,000	4,500,000	(1,300,000)	3,200,000	Debt funding planned
3829SS - Wastewater Treatment Plant - Structural Repair	R AIM	1,535,839	950,000	-	950,000	
3932SS - Lakeshore Dr. - Jessups Creek to Premier Road	AIM	40,000	825,000	(700,000)	125,000	Debt funding planned
6695WS - Watermain Rehab and Restoration 2023 On-going	AIM	-	818,000	-	818,000	
3932WS - Lakeshore Dr. - Jessups Creek to Premier Road	AIM	30,000	725,000	(600,000)	125,000	Debt funding planned
4103SS - Wastewater Treatment Plant Expansion	R AIM	984,000	550,000	(160,000)	390,000	Reserve funding planned
3719SS - Digester Replacement	AIM	5,150,000	500,000	-	500,000	
<b>Total Preliminary 2023 Capital Budgets with Dollars Greater than \$500,000</b>			<b>8,868,000</b>	<b>(2,760,000)</b>	<b>6,108,000</b>	

# Water & Wastewater Capital Levy Calculation

	<b>2023</b>	<b>2022</b>
Prior Year Capital Funding Allowance	\$12,525,870	\$12,051,514
PLUS: 2% Prior Year Revenue	485,185	474,356
PLUS: Inflation Factor Stats Can (50% adjustment)	260,851	-
Subtotal	13,271,906	12,525,870
LESS: Principal & Interest (P&I) (excluding Filtration Plant P&I funded from reserve)	(2,621,543)	(2,638,423)
Capital Levy /PAYGO Amount to be transferred from Operating to Capital to fund capital projects	\$10,650,363	\$9,887,447



# Reserve

- Funds set aside by a by-law of the council or by a legal requirement to meet a future event, capital need, pressure or specified obligation.
- Reserves and reserve funds are key elements of a municipality's long-term financial strategy.
- **Obligatory** (legal requirement) established as a legal requirement, such as legislative or contractual requirement. Examples include development charges and Canada Community-Building Fund (formerly Federal Gas Tax).
- **Discretionary** (permissive) reserve funds are created at Council's option in accordance with the Municipal Act. Examples include Stabilization Reserves and Capital Infrastructure Reserves.
- All uses of Reserve funds **must** be authorized by a resolution of Council (specific resolution, in accordance with a Council approved policy or as authorized through the budget process) or used in accordance with contractual obligations.

# Reserve Balances

Reserve Number	Reserve Description	Balance as at December 31, 2022*	Net Pending Transfers**	Proposed 2023 Budget Transfers	Projected Balance after 2023 Transfers
99576	Water Operating	1,554,877	-	-	1,554,877
99577	Sanitary Sewer Operating	1,385,173	-	-	1,385,173
99522	Water Systems Completed Capital	5,007,067	(340,000)	(65,200)	4,601,867
99575	Sanitary Sewer Completed Capital	4,432,852	(1,265,661)	(300,200)	2,866,991
99580	Water Treatment Surcharge***	2,476,222	-	(504,712)	1,971,510
99583	WTP Membrane Replacement****	613,229	-	-	613,229
	Total	15,469,420	(1,605,661)	(870,112)	12,993,647

\*Subject to year-end transfers and adjustments as 2022 year-end is not finalized as at the date of the presentation.

\*\*Outstanding approved reserve transfers. Does not include estimated operating deficit projected as at September 30<sup>th</sup>.

\*\*\*This reserve will be used to fund the annual principal and interest payments remaining on the Water Treatment Plant until 2027.

\*\*\*\*This reserve is planned to be used towards the cost of the membrane replacement projected in 2027.

# Reserve Policy -10%-15% Operating Expenditures

	<b>Water</b>	<b>Wastewater</b>
2023 Gross Expenditures	\$ 14,547,033	\$ 13,432,845
Reserve Range - Policy	10-15%	10-15%
Reserve Range	\$1.45m - \$2.18m	\$1.34m - \$2.01m
Forecasted Year-end Balance	\$ 1,554,877	\$ 1,385,173

# 2023 Overview / Assumptions

- Several assumptions are made based on the information available at the time of setting the budget - the annual required assumptions are outlined in page 2 of the Council Report, CORP 2023-012 2023 Water and Wastewater Operating Budget.
- Increase in net revenue required of \$1,340,692 or 5.53%
- Significant budget pressures include: (page 6 of Appendix)
  - Personnel \$301,212
  - Capital Funding Policy \$746,036
  - Economic Pressures on Goods & Services estimated to be approximately \$250,000
  - Fuel \$127,334

# Water Calculated Rates

<b>Water Preliminary Budget to be funded by rates</b>	<b>\$ 13,121,395</b>	
Fixed portion (50%)	\$ 6,560,698	
Variable portion (50%)	\$ 6,560,697	(a)
Projected consumption cubic meters	4,447,859	(b)
<b>Variable rate (a/b)</b>	<b>1.48</b>	

Consumption set at 4 year average.  
2.6 million m<sup>3</sup> residential, 1.8 million m<sup>3</sup> ICI



Meter Size	# of connections	Equiv. Fac	Equiv. Conn	Monthly Fixed rate
5/8X3/4	15,427.0	1.0	15,427.0	26.42
5/8 INCH	358.0	1.0	358.0	26.42
3/4 INCH	268.0	1.0	268.0	26.42
1 INCH	280.0	2.6	728.0	68.69
1.5 INCH	160.0	5.2	832.0	137.39
2 INCH	221.0	8.3	1,834.3	219.29
3 INCH	61.0	16.6	1,012.6	438.58
4 INCH	7.0	25.9	181.3	684.30
6 INCH	1.0	51.8	51.8	1,368.60
Grand Total	16,783		20,693	

# Wastewater Surcharge

Net Wastewater funding required (a)	12,478,545
Net Water funding required	13,121,395
Adjusted Net Water funding (b)	12,951,208
Required Sewer Surcharge (a/b)	96.35%

Note: Water expenditures are adjusted to account from water only consumption. Approximately 115,000m<sup>3</sup> calculated based on the preliminary 2023 rate.

# Sample Residential Invoice

		<b>2023 Preliminary Rates</b>		
Basic Customer Bill with Water and Sanitary usage				
Fixed / Variable Split:	<b>Fixed</b>	<b>Variable</b>		
	50%	50%		
<b>Monthly Consumption (m3)</b>			<b>14</b>	<b>16</b>
			<b>m3</b>	<b>m3</b>
Fixed rate			\$ 26.42	\$ 26.42
Variable	\$ 1.48		\$ 20.72	\$ 23.68
Water cost			\$ 47.14	\$ 50.10
Wastewater Rate	96.35%		\$ 45.42	\$ 48.27
Filtration Plant				
<b>Total Monthly Invoice</b>			<b>\$ 92.56</b>	<b>\$ 98.37</b>
Monthly Dollar Change			\$ 5.23	\$ 5.60
Percentage Change			5.98%	6.03%
<b>Total Yearly Fixed and Variable</b>			<b>\$ 1,110.72</b>	<b>\$ 1,180.44</b>
				<b>\$ 1,320.00</b>

# Sample invoice 40/60

		<b>2023 Preliminary Rates</b>		
Basic Customer Bill with Water and Sanitary usage				
Fixed / Variable Split:	<b>Fixed</b>	<b>Variable</b>		
	40%	60%		
<b>Monthly Consumption (m3)</b>			<b>14</b>	<b>16</b>
			<b>m3</b>	<b>m3</b>
				<b>20</b>
				<b>m3</b>
Fixed rate			\$ 21.14	\$ 21.14
Variable	\$ 1.78		\$ 24.92	\$ 28.48
Water cost			\$ 46.06	\$ 49.62
Wastewater Rate	96.61%		\$ 44.50	\$ 47.94
Filtration Plant				
<b>Total Monthly Invoice</b>			<b>\$ 90.56</b>	<b>\$ 97.56</b>
				<b>\$ 111.56</b>
Monthly Dollar Change			\$ 3.23	\$ 4.79
Percentage Change			3.70%	5.16%
				7.64%
<b>Total Yearly Fixed and Variable</b>			<b>\$ 1,086.72</b>	<b>\$ 1,170.72</b>
				<b>\$ 1,338.72</b>



# **Questions/Discussion**