

ONTARIO  
**COCHRANE**  
WONDERFULLY UNEXPECTED

**2019 MUNICIPAL  
“WATER AND  
WASTEWATER”  
DEPARTMENT  
DRAFT FINAL  
BUDGET**

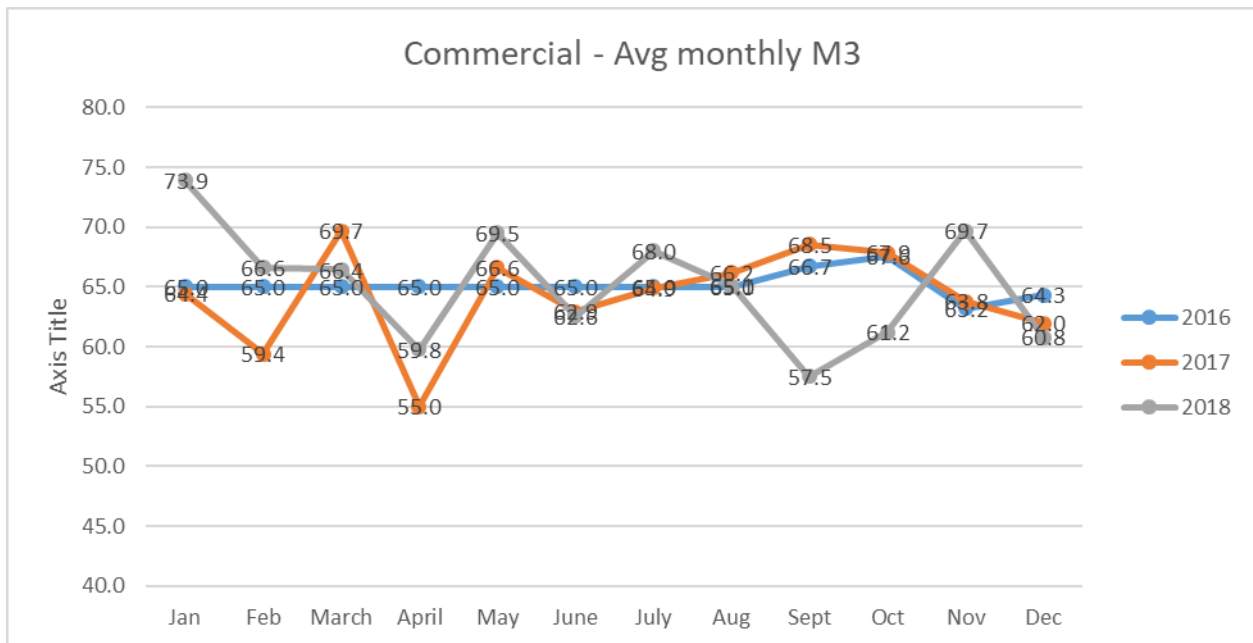
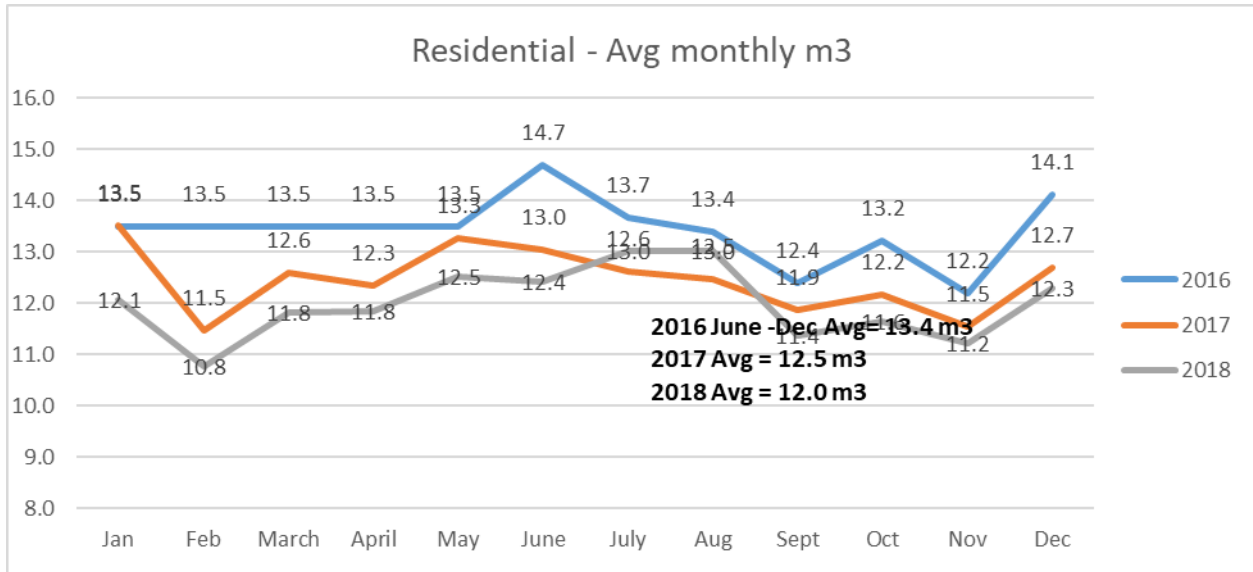
	<i>Page #</i>
INDEX/LEGEND	1
EXECUTIVE SUMMARY	2
REVENUES AND RATES	3-5
OPERATIONS AND EXPENSES	6-8
OPERATING EXPENSES - BUDGET CHANGES	9-10
2019 CAPITAL BUDGET - Information	11
Appendices	
A - Operating Budget Detail	A
B - Capital Budget Detail	B
C – Overall RECAP and RESERVES IMPACT	C

## EXECUTIVE RECAP

- ❖ Rates – recommends 3% increase effective April 1, 2019, = \$3/month for the average residential service.
- ❖ Expenditures – overall \$34K reduction in operating costs
- ❖ Proposed Budget generates Operating Surplus (excludes depreciation) for 2019, with 3% rate increase, of \$931,000. These funds are used to pay principal portion of Water/Wastewater projects long term debt and pay for Capital/Infrastructure Re-investment directly.
- ❖ New capital infrastructure spending in 2019 of \$712K, all to be funded from Operating Surplus/Reserves. \$252K additional capital infrastructure spending in 2019 related to previously approved Headworks project, also to be funded from Operating Surplus/Reserves.
- ❖ No new debt in 2019 related to water and wastewater.
- ❖ Reserve Forecast – expected to fall to \$800K by end of 2019.

## REVENUES RECAP

The municipality continues to see a decline in the average monthly consumption of water by residential customers. The decline is shown graphically as follows:



We have not considered the statistics/usage collected for Jan to May 2016 to be accurately representative since there were several hundred meters that were estimated at the onset of the rollout. 2016 actual consumption stats are from June to December.

The preliminary 2018 year end financials report revenues are under budget by \$52K, or 1.8% of the total 2018 budgeted revenues of just under \$2.9M. From a cubic meter perspective, this is 7200 M3. Total billed cubic meters are 386K M3 and 393KM3, for 2018 and 2017 respectively. \$30K of the shortage is a result of reduced consumer consumption.

The decline is likely attributed to two factors:

- 1) Conservation efforts by residential water users – with the install of meters, more residents are consciously aware of the financial impact of their water consumption. Similarly, many have made changes to their plumbing components which is resulting in less water use.
- 2) Transition from unmetered services to metered services continued throughout 2016 and into 2017. Many of the meter installs that occurred after the 2015 mass rollout were for smaller premises which would likely use less water. Their addition to the metered group of residences would lower the overall averages accordingly.

The financial impact to revenues of a reduction of 1 cubic meter of water per month per residential service amounts to \$65,000 per year.

## **RATES - Background**

The last rate increase to water and wastewater rates occurred in April 2017. At which point a rate rebalancing exercise was approved to adjust the new rates set effective January 1, 2016 for the initial “transition to residential meters”. These rates were developed by a consultant, whom estimated the average monthly cubic meters per residential household to be 19 M3 per month. These rates were developed to be “revenue neutral”, meaning that the rates implemented Jan 1, 2016 with fully metered services would generate the same annual revenues as prior to Jan 1, 2016, which was on a monthly fixed rate for residential services. (Commercial water meters had been in place for several dozen years). The first year of the new residential meters resulted in the actual average monthly residential usage being closer to 14 M3 per month, and not 19M3, therefore revenues had dropped 20% in 2016. The average monthly residential bill went from \$110 in 2015, to \$90 in 2016. Therefore Council accepted a recommendation to increase the rates effective April 2017 by approx. 20%, to generate the same annual revenues as prior to the introduction of the residential water meters.

## **RATES - Current**

In 2018, the average residential monthly bill was approx. \$107. Once again, consumers are continuing to use less water and therefore the variable component of their charges is on the decline.

A 3% increase in rates would generate an additional \$87K in revenues per year. With an April 1, 2019 effective date, this would generate additional revenues of \$65K.

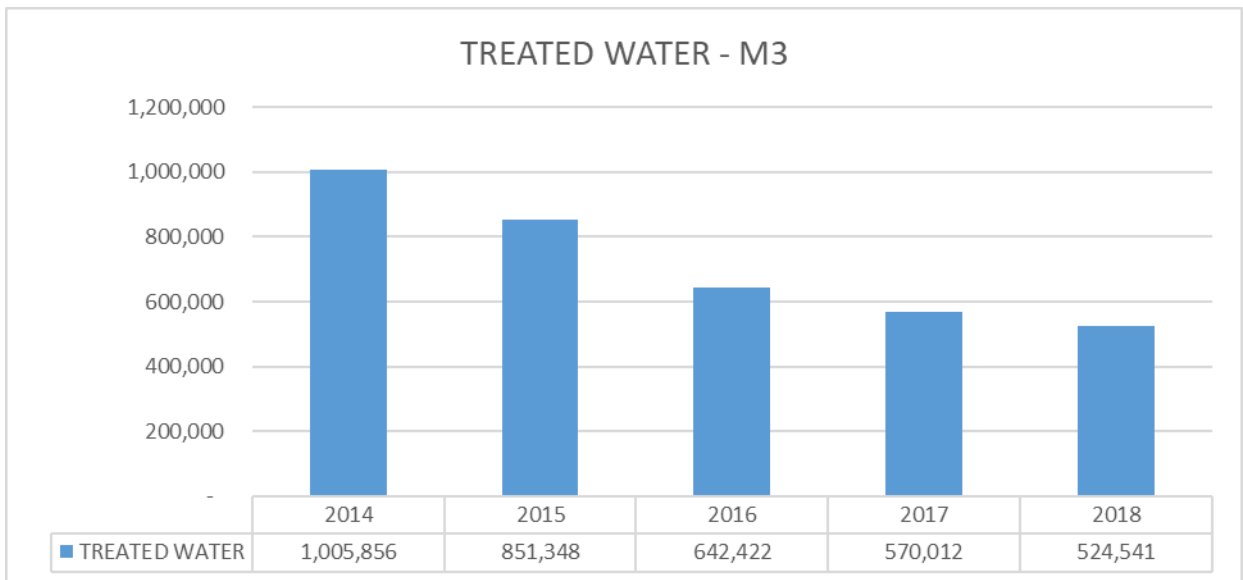
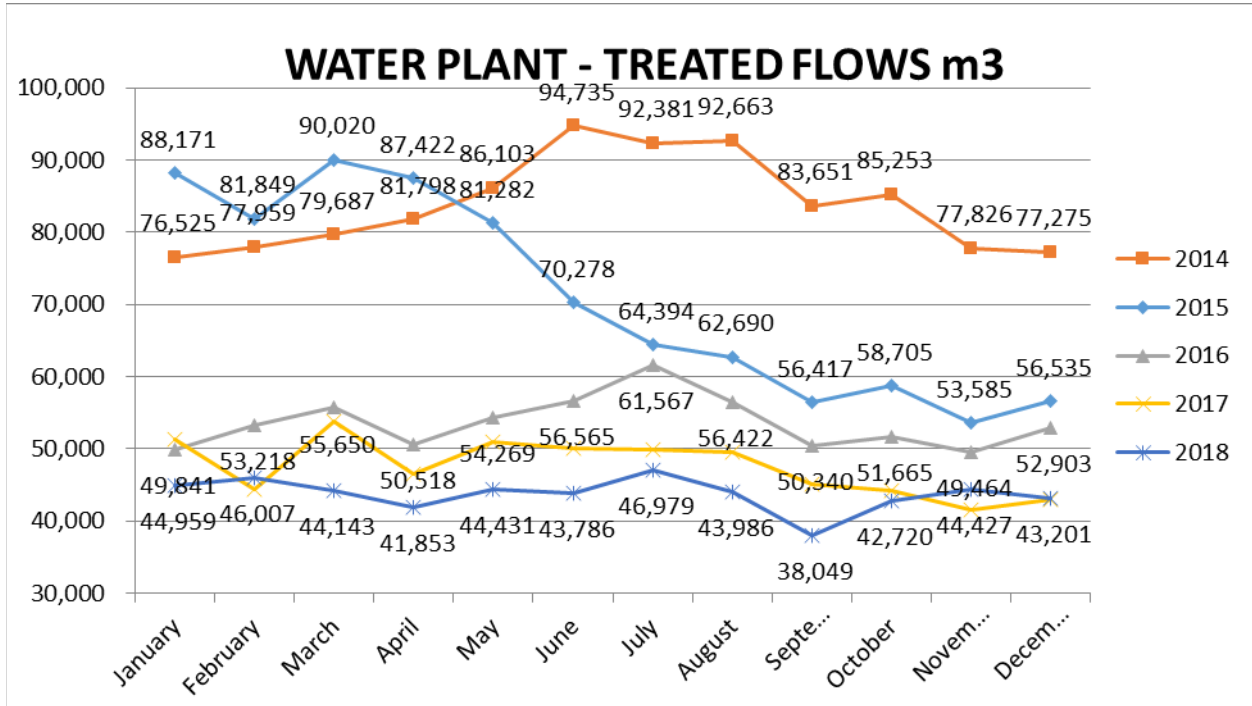
We are recommending a 3% increase in rates effective April 1, 2019.

## RATES HISTORY AND COMPARISON TO OTHER MUNICIPALITIES

	2013	2014	2015	2016	2017	2018	2019 Proposed
Approved Rate Change		11%	11%	rate structure, intended to be revenue	20% rate rebalancing	no change	3%
<b>MONTHLY</b>							
Notes>>>	KPMG Rate Plan - 2011 to 2015			first year metered = new metered rates	forecast with 20% rebalancing adjustment June 1/17		
Avg Residential Usage	METERED =	METERED =	METERED =	13.0	12.5	12.0	12.0
Avg Residentil Bill	\$ 90.13	\$ 99.61	\$ 111.01	\$ 93.25	\$ 111.01	\$ 107.40	\$ 110.62
% change		11%	11%	-16%	19%	-3%	3%
2013 to 2019 avg increase							3.8%
<b>COMPARISON TO OTHERS</b>	2013	2014	2015	2016	2017	2018	2019
Cochrane	\$ 90.13	\$ 99.61	\$ 111.01	\$ 93.25	\$ 111.01	\$ 107.40	\$ 110.62
Parry Sound					\$ 121.67		\$ 134.07
Kap				\$ 111.75			\$ 128.87
Espanola			\$ 98.68				

## EXPENDITURES / OPERATIONS

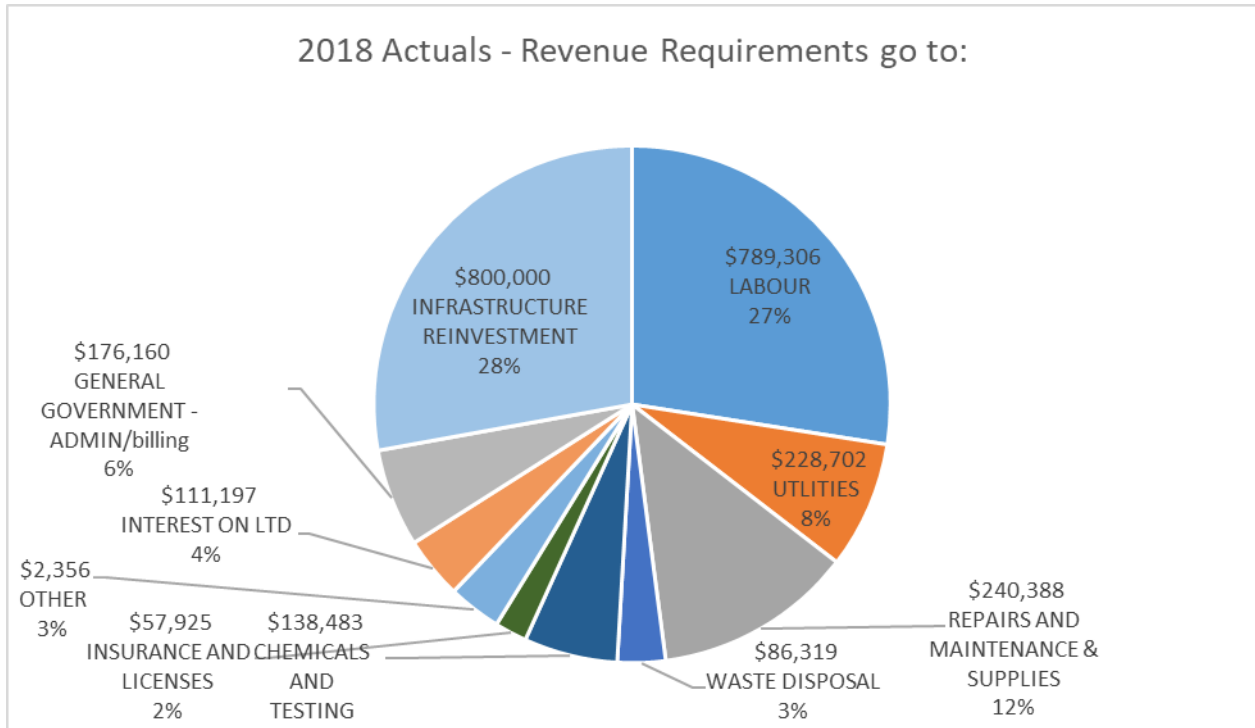
In addition to the implementation of water meters to residential services in 2015/16, this department also saw significant financial and operational impacts as a result of the closure of Cochrane Power in May 2015. The results on annual plant flows and revenues is seen in the chart below.



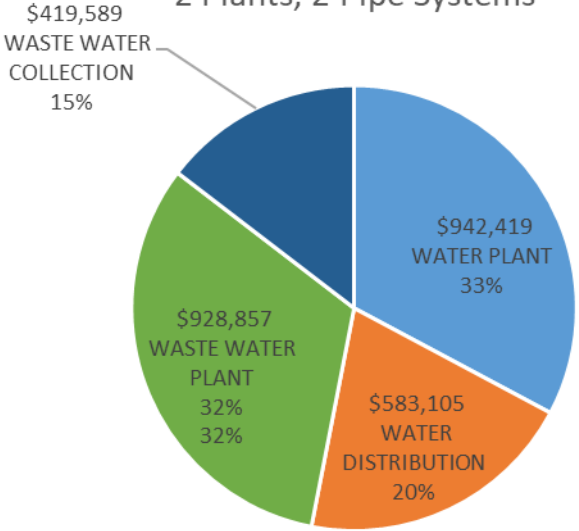
With reduced flows at both plants, the department has also been monitoring the financial impact on costs. As expected, the variable component of costs has also

declined although not nearly at the same rate as the reduction in revenues. This would include processing costs such as chemicals and hydro costs to some extent.

The following charts indicate the % and relative annual \$ attributed to each cost type. This includes the infrastructure re-investment component of the annual budget – which represents the principal debt repayment related to Water/Wastewater capital that has been financed in prior years, and the current year if applicable, as well as the portion of current year’s operating financials that are transferred to reserves and/or to be pay for current year capital.



2018 Actuals - By Subgroup  
2 Plants, 2 Pipe Systems





## 2019 OPERATING EXPENSES BUDGET CHANGES

- **LABOUR - \$50K decrease in labour costs, consisting primarily of the following:**

1. (\$45,000) - *Shift in allocation of labour costs*

THESE COMMENTS ARE REPLICATED FROM THE 2018 TAX BASED MUNICIPAL OPERATIONS BUDGET – DEPARTMENT LEVEL REVIEW

➤ *No change in FTE for Municipal Operations as a whole – that being defined as Public Works and Water/Waste Water Departments.*

➤ *(\$45,000) - Shift in allocation of labour costs of two existing positions, whom prior to 2018 have been 100% allocated to water and wastewater department. These positions perform work for both Municipal Operations “Roads/Solid Waste” department as well as Water and Wastewater, estimate to be 50% to each. Prior to 2018 this represented \$90K in costs being absorbed by the water and wastewater budget for resources used outside this department. Therefore commencing in 2018, the costs associate with these resources were shifted, with 50% of the shift occurring in 2018 and the remaining 50% of the cost shift occurring in 2019. These positions are as follows:*

- *Asset Coordinator*
- *Compliance Supervisor/Assistant to Director*
- 

*The Water/Waste water department will see and equivalent \$45,000 reduction in its labour costs. This essentially shifts approximately \$90,000 in labour costs from the Water and Wastewater department RATE BASED BUDGET to the Municipality’s TAX BASED BUDGET over the 2 year period.*

2. \$15,000 increase = approximate impact of annual Cost of Living increases

- **NON LABOUR - \$17,000 increase. Includes:**

- 1) (\$37K) UTILITIES – adjusted 2019 budget to reflect historical trends, as a result of declining plant flows and other operational adjustments
- 2) \$20K WASTE DISPOSAL – adjusted 2019 budget to reflect trend, higher prices
- 3) (\$18K) INSURANCE – new corporate allocation methodology for general liability component of insurance. This corresponds to an offsetting increase in the tax based budget insurance lines

- 4) \$20K GENERAL GOVERNEMENT – reviewed allocation of GENERAL GOVERNMENT ( Admin) costs for the Municipality as a whole. Review resulted in including Council related costs in the allocation of these costs – to the Water/Waste water dept effective 2019 since Council is the only governing body for this dept.
  - 5) \$50K REPAIRS AND OUTSIDE SERVICES – \$25K added “one time” cost for Cochrane Well 5 Testing and Inspection work. \$15K added for inspection costs for backlow on commercial meters, \$5K for Waste Waterplant ventilation and \$5K for well hut repairs.
- SERVICE LEVEL CHANGES
    - None identified

# WATER & WASTEWATER 2019 CAPITAL BUDGET

The following major projects have been prioritized for the 2019-2022 period.

- 1) YEAR 2019 - \$1.3M - Water pollution control plant Headworks – Funding of just over \$500K of the \$1.1M estimated cost was approved in early 2017. Recent engineering design work has increased the cost of the project to \$1.3M, resulting in an increase to the municipal contribution of \$250K. This has been adjusted for in the 2019 budget and will use of the majority of own source/ use of water reserve allocation for 2019.
- 2) YEAR 2019 – \$465K - Development Infrastructure Work – Rose Property ( Highway 11 west) and Highway 11 South Water Main Extension. Both are expected to generate future new revenues.
- 3) YEAR 2019 – \$475k – 5<sup>TH</sup> Avenue Hill Culvert replacement. Contingent on Special Funding application made in the Fall of 2018 – OCIF Top Up Component. Expecting response to application in Feb 2019. This project may become priority regardless of success of special funding application and other projects may shift in order to do so.
- 4) YEAR 2021 - \$2m - Infrastructure replacement, water and wastewater, in laneway between 1<sup>st</sup> and 2<sup>nd</sup> Avenues, and 2<sup>nd</sup> and 3<sup>rd</sup> Avenue, from 8<sup>th</sup> St to 7<sup>th</sup> St.

See separate page for recap of 2019 budgeted projects.

See below for Recap of Capital Plans for next four years.

MULTI YEAR LARGE PROJECT CAPITAL PLANS					FOUR YEAR LOOK				
Project Contingent on Special Funding Approval							TOTAL COST		
Committed to in Prior Year's budget			2019	2020	2021	2022	2019-2022		
		2018 BUDGET PRIORIT Y SCORE							
<b>WATER AND WASTEWATER</b>	Huron Rd - 17th Ave to Genier Rd						\$ -		
	1st and 2nd Ave Laneway- from 5th St to 6th St	4	\$ 30,000 Engineering		\$ 970,000 Construction		\$ 1,000,000		
	2nd and 3rd Ave Laneway- from 5th St to 6th St	4	\$ 30,000 Engineering		\$ 970,000 Construction		\$ 1,000,000		
	WASTEWATERPLANT - Effient upgrade requirement - prior yr approval	5	\$ 1,335,000				\$ 1,335,000		
	Highway 11 South Water Main Extension	4	\$ 270,000				\$ 270,000		
	Rose Property Development	4	\$ 195,000				\$ 195,000		
	5th St Reconstruction from 3rd Ave to 8th St(see urban capital map)	4			\$ 170,000		\$ 170,000		
	L&S Lift Station - Phase 2	2				\$ 1,900,000	\$ 1,900,000		
	<b>TOTAL CORE - WATER/WASTEWATER</b>			<b>\$ 1,860,000</b>	<b>\$ -</b>	<b>\$ 2,110,000</b>	<b>\$ 1,900,000</b>	<b>\$ 5,870,000</b>	

## WATER&amp;SEWER - BUDGET REVIEW

Date : Mar 18, 2019

Time : 11:51 am



For Period Ending 31-Dec-2018

	CURRENT YEAR ANNUAL BUDGET	CURRENT YEAR ANNUAL ACTUAL	CURRENT YEAR VARIANCE ACTUAL TO BUDGET	PRIOR YEAR - 2017 ANNUAL ACTUAL	CURRENT YEAR - 2018 ANNUAL BUDGET	NEW YEAR - 2019 ANNUAL BUDGET	CHANGE FROM 2018 TO 2019 BUDGETS
<b>GENERAL FUND</b>							
<b>Revenue</b>							
WATER AND SEWER REVENUES	(2,943,000.00)	(2,920,728.91)	22,271.09	(2,709,557.89)	(2,943,000.00)	(2,967,432.00)	(24,432.00)
<b>Total Revenue</b>	<b>(2,943,000.00)</b>	<b>(2,920,728.91)</b>	<b>22,271.09</b>	<b>(2,709,557.89)</b>	<b>(2,943,000.00)</b>	<b>(2,967,432.00)</b>	<b>(24,432.00)</b>
<b>Expense</b>							
LABOUR COSTS	819,542.00	789,406.09	(30,135.91)	845,269.50	819,542.00	769,013.00	(50,529.00)
UTILITIES	267,754.00	228,703.21	(39,050.79)	244,611.17	267,754.00	230,754.00	(37,000.00)
REPAIRS AND MAINTENANCE	149,420.00	240,388.08	90,968.08	137,297.42	149,420.00	169,020.00	19,600.00
MATERIALS AND SUPPLIES	68,390.00	118,591.68	50,201.68	119,521.80	68,390.00	81,390.00	13,000.00
WASTE DISPOSAL ( SLUDGE)	75,000.00	95,279.05	20,279.05	92,029.92	75,000.00	95,000.00	20,000.00
CONTRACTS AND OUTSIDE SERVICES	45,588.00	35,323.73	(10,264.27)	41,271.90	45,588.00	70,588.00	25,000.00
CHEMICALS	150,000.00	138,482.82	(11,517.18)	144,195.30	150,000.00	145,000.00	(5,000.00)
TESTING	41,500.00	29,756.42	(11,743.58)	30,632.03	41,500.00	38,500.00	(3,000.00)
VEHICLE AND EQUIPMENT COSTS	40,000.00	16,835.75	(23,164.25)	31,572.20	40,000.00	40,000.00	0.00
TRAVEL & TRAINING	20,000.00	18,960.41	(1,039.59)	26,309.16	20,000.00	20,000.00	0.00
ADMIN COSTS-OFFICE/COMPUTERS, ETC	35,800.00	30,392.67	(5,407.33)	34,669.85	35,800.00	23,800.00	(12,000.00)
INSURANCE AND LICENSES	66,850.00	57,925.41	(8,924.59)	59,456.96	66,850.00	48,300.00	(18,550.00)
MISCELLANEOUS OPERATING	3,500.00	3,826.36	326.36	48,834.91	3,500.00	3,500.00	0.00
INTEREST ON LTD	110,087.00	111,197.56	1,110.56	43,419.52	110,087.00	104,851.00	(5,236.00)
ALLOCATION OF GEN GOV COSTS	176,155.00	176,160.00	5.00	172,076.00	176,155.00	196,155.00	20,000.00
WATER/SEWER RESERVE TRANSFER	0.00	0.00	0.00	505,107.72	0.00	0.00	0.00
WATER/SEWER - TRANSFER TO TAX BASED ##	0.00	125,004.00	125,004.00	183,996.00	0.00	0.00	0.00
<b>Total Expense</b>	<b>2,069,586.00</b>	<b>2,216,233.24</b>	<b>146,647.24</b>	<b>2,760,271.36</b>	<b>2,069,586.00</b>	<b>2,035,871.00</b>	<b>(33,715.00)</b>
<b>Total GENERAL FUND</b>	<b>(873,414.00)</b>	<b>(704,495.67)</b>	<b>168,918.33</b>	<b>50,713.47</b>	<b>(873,414.00)</b>	<b>(931,561.00)</b>	<b>(58,147.00)</b>
<b>Total Surplus (-)/Deficit</b>	<b>(873,414.00)</b>	<b>(704,495.67)</b>	<b>168,918.33</b>	<b>50,713.47</b>	<b>(873,414.00)</b>	<b>(931,561.00)</b>	<b>(58,147.00)</b>

APPENDIX B - CAPITAL BUDGET DETAIL

WATER & WASTE WATER CAPITAL BUDGET

2019 BUDGET											
2019 - GROSS COSTS				HOW FUNDED ( PAID FOR)							
				Funding Notes	WATER RESERVES/own source Revs	Other Reserves/Deferred Revenues	GAS TAX	FORMULA BASED OCIF	SPECIAL FUNDING	FINANCED	BALANCE UNACCOUNT ED for
Details		Total									
<b>WATER</b>											
<b>INFRASTRUCTURE - PLANT</b>											
Repairs to Clearwell at the Water Plant	added March 5th	\$ 150,000		\$ 150,000							\$ -
Replace Media and Leopald Tiles in Water Plant Filters											
Replace Media and Leopald Tiles in Water Plant Filters	<i>removed from 2019 budget due to budget constraints - if inspection indicates it must be done in 2019, then we will need to defer some road projects. Report will go to Council for a post budget adjustment request</i>										
<b>INFRASTRUCTURE - FACILITIES &amp; OUTSIDE PLANT</b>											
2nd Avenue - 5th St. to 6th St - Infrastructure Replacement - Water Distribution System		\$ 15,000		\$ 15,000							\$ -
3rd Avenue - 5th St. to 6th St - Infrastructure Replacement - Water Distribution System		\$ 15,000		\$ 15,000							\$ -
Highway 11 South - Water main extension		\$ 270,000		\$ 270,000							\$ -
ROSE Property Development		\$ 97,500		\$ 97,500							\$ -
<b>EQUIPMENT</b>											
Hoist for Truck -		\$ 15,000		\$ 15,000							\$ -
Fencing for Digs		\$ 10,000		\$ 10,000							\$ -
<b>ADMINISTRATION</b>											
<b>TOTAL WATER</b>		<b>\$ 572,500</b>	<b>\$ 572,500</b>								
<b>WASTE WATER</b>											
<b>INFRASTRUCTURE - PLANT</b>											
<b>INFRASTRUCTURE - FACILITIES AND OUTSIDE PLANT</b>											
SCADA upgrades at Con 2/3 Lift Station - alarm systems		\$ 12,000		\$ 12,000							\$ -
2nd Avenue - 5th St. to 6th St - Infrastructure Replacement - WasteWater Distribution System		\$ 15,000		\$ 15,000							\$ -
3rd Avenue - 5th St. to 6th St - Infrastructure Replacement - Waste Water Distribution System		\$ 15,000		\$ 15,000							\$ -
ROSE Property Development		\$ 97,500		\$ 97,500							\$ -
<b>EQUIPMENT</b>											
<b>TOTAL WASTE WATER</b>		<b>\$ 139,500</b>	<b>\$ 139,500</b>								
<b>TOTAL WATER/WASTE WATER CAPITAL -excludes prior year project straddling into new year</b>		<b>\$ 712,000</b>	<b>\$ 712,000</b>	\$ 712,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>WATER &amp; WASTE WATER PROJECTS - APPROVED IN PRIOR YEAR - multi yea</b>											
			\$ -								
Water Water Plant - Effluent Upgrade CCWF		\$ 1,335,000		\$ 252,000			\$ 520,361		\$ 562,639		\$ -
Already Budgeted/Borrowed in 2018		\$ (1,083,000)					\$ (520,361)		\$ (562,639)		\$ -
Increase to Budget in 2019		\$ 252,000	\$ 252,000	\$ 252,000			\$ -		\$ -		\$ -
<b>TOTAL CAPITAL Including Carryforward</b>		<b>\$ 964,000</b>		\$ 964,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
				\$ 964,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	A	F	G	H	R	S	T	
1	<b>WATER &amp; WASTE WATER DEPARTMENT</b>		<b>APPENDIX C - OVERALL RECAP AND RESERVES IMPACT</b>					
2	<b>FINANCIALS RECAP</b>							As of March 18th
3		<b>2018</b>			<b>2019 BUDGET</b>			
4		BUDGET	ACTUAL	Variance \$	2019 BUDGET with 3% increase	Change from 2018 BUDGET	<b>March 5th/18th NOTES/CHANGES TO MADE</b>	
5								
6	<b>OPERATING REVENUES AND EXPENSES</b>						Need to add \$5K to Operations Maint Costs for Office SewageTreatment Plant Ventilation. MM added 5K to 1-4-4105-2400 in VADIM March 18th	
7	TOTAL REVENUES	\$ 2,943,000	\$ 2,891,124	\$ (51,876)	\$ 2,967,430	\$ 24,430	Need to add \$5K to Operations Maint Costs for Repairs to well hut buildings. MM added \$5K to 1-4-4305-2400 March 18th	
8	TOTAL EXPENSES ( excluding depreciation)	\$ 2,069,586	\$ 2,073,977	\$ 4,391	\$ 2,035,871	\$ (33,715)	Need to add \$15K to Operations Costs for Backflow Inspection of Commercial Meters	
9	Surplus before depreciation	\$ 873,414	\$ 817,147	\$ (56,267)	\$ 931,559	\$ 58,145		
10	Depreciation Expense	\$ 785,000	\$ 785,000		\$ 800,000			
11	<b>Net Surplus ( Accrual base accounting)</b>	<b>\$ 88,414</b>	<b>\$ 32,147</b>	<b>\$ (56,267)</b>	<b>\$ 131,559</b>			
12								
13								
14	<b>CASH FLOW STATEMENT</b>							
15	Add back Deprecation	785,000	785,000		800,000			
16	less new 2019 CAPITAL paid as incurred ( Designated as RESERVES funded)	-520,000	-596,697		-712,000		< removed Filters from Budget pending inspection results	
17	Headworks Project revised costs - excess over original budgets in 2017/18				-252,000			
18	Special Funding applied to Capital Projects				0			
19	2017 loan ( 16/17 needs) = Railway	-64,048	-63,878		-65,961			
20	2017 loan ( 16/17 needs) = Headworks	-54,451	-54,318		-56,079			
21	13,14,15 Loan - Water Meters, Bridge Loan CGV	-40,843	-66,863		-64,453			
22	Built extra Financing \$ need for 15th/16th laneway Excess - into 2018 Budget	-7,000			-7,000	-318,493	<b>Long Term Debt Repayment</b>	
23	Lot Recovery on Lift Station 4 - Bridge Loan	25,000	25,000		0			
24	less: Long Term Debt Repayment - WS portion of BCF projects - \$125K is JR's lift station - 2019 is YEAR 9 of 10 YEAR Schedule, 2020 is Year 8 of 10	-125,000	-125,000		-125,000			
25	<b>NET Surplus ( Deficit) after Capital - also = change in reserves</b>	<b>\$ 87,072</b>	<b>\$ (64,609)</b>		<b>\$ (350,934)</b>			
26								
27								
28								
29								
30								
31	<b>RESERVES CONTINUITY SCHEDULE</b>							
32	OPENING RESERVES	1,222,213	1,222,213		1,157,604			
33	NET CHANGE - current year surplus less current year capital needs	87,072	\$ (64,609)		\$ (350,934)			
34	<b>CLOSING RESERVES</b>	<b>1,309,285</b>	<b>1,157,604</b>		<b>806,670</b>		460,000	
35	<b>TARGET - " recommended"</b>	<b>1,000,000</b>	<b>1,000,000</b>		<b>1,000,000</b>			