

Vision: *The City of Greater Sudbury is a growing, world-class community bringing talent, technology and a great northern lifestyle together.*



Agenda

Finance Committee

meeting to be held

Tuesday, March 29th, 2011

at 4:00 pm

Council Chamber, Tom Davies Square

FINANCE COMMITTEE AGENDA

For the 10th Finance Committee Meeting
to be held on **Tuesday, March 29, 2011**
Council Chamber, Tom Davies Square at 4:00 pm

COUNCILLOR TERRY KETT, CHAIR

Frances Caldarelli, Vice-Chair

(Please ensure that cell phones and pagers are turned off)

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DECLARATIONS OF PECUNIARY INTEREST AND THE GENERAL NATURE THEREOF

PRESENTATIONS

1. 2011 Water and Wastewater Rates and Charges
(ELECTRONIC PRESENTATION) (RECOMMENDATION PREPARED)

5 - 13

- Lorella Hayes, Chief Financial Officer/Treasurer

(This report, copy attached, was presented to the Finance Committee on March 3, 2011.)

MANAGERS' REPORTS

2. Water Wastewater Services 10-Year Financial Plan
(RECOMMENDATION PREPARED)

(The Financial Plan was presented to the Finance Committee on March 3, 2011.)

RECOMMENDATION:

THAT the report of the Chief Financial Officer/Treasurer and General Manager of Infrastructure dated March 2, 2011 entitled Financial Plan for Water and Waste Water Services as required under Ontario Regulation 453/07 be received;

AND THAT the Finance Committee recommend that Council endorse the Financial Plan for Water and Wastewater Services as financially viable;

AND THAT the Finance Committee recommend that Council, as the owner of the City of Greater Sudbury municipal drinking water and wastewater systems, approve the Financial Plan for Water and Wastewater Services in compliance with Ontario Regulation 453/07;

AND THAT staff submit the Financial Plan for Water and Wastewater Services to the Province in compliance with Ontario Regulation 453/07;

AND THAT the Financial Plan for Water and Wastewater Services be updated on a regular basis and included in the Water and Waste budgets presented to Council.

3. Capital Budget Approval
(RECOMMENDATION PREPARED)

RECOMMENDATION:

THAT Council approve the 2011 Capital Budget and the report dated March 3, 2011 from the CFO/Treasurer, including acceptance of the 2011 Police Services Capital Budget;

AND THAT total internal financing from capital and reserve funds of \$31 million be approved for projects to be completed in 2011 and 2012 and be repaid from future capital envelopes, Provincial Gas Tax and development charges in 2011 to 2035;

AND THAT the remainder of the 2012 - 2015 Capital Budgets be accepted for information for staff to use as a planning tool.

4. Report dated March 29, 2011 from the Chief Financial Officer/Treasurer regarding 2011 Budget Finalization and Funding Sources for One-time 2011 Budget Expenditures.

(RECOMMENDATION PREPARED) (REPORT TO BE TABLED)

(This report contains the resolution approving the 2011 Budget and identify funding sources/options for one-time 2011 Budget expenditures.)

PARKING LOT REVIEW

5. The Chair of the Finance Committee will review each of the items placed in the Parking Lot. The consensus of Council will be required for each item listed in the Parking Lot.

FOLLOW UP REPORTS TO PARKING LOT ITEMS

Adjournment (Resolution Prepared)

ANGIE HACHÉ, CITY CLERK

FRANCA BORTOLUSSI, COUNCIL SECRETARY

Presented To:	Finance Committee
Presented:	Tuesday, Mar 29, 2011
Report Date	Friday, Mar 25, 2011
Type:	Presentations

Request for Decision

2011 Water and Wastewater Rates and Charges

Recommendation

For Information Only

Signed By

No signatures or approvals were recorded for this report.

Request for Recommendation Finance Committee

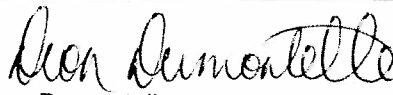



Type of Decision									
Meeting Date	March 3, 2011			Report Date	March 2, 2011				
Decision Requested	X	Yes		No	Priority	X	High		Low
	Direction Only				Type of Meeting	X	Open		Closed

Report Title
2011 Water and Wastewater Rates and Charges

Budget Impact/Policy Implication		Recommendation
X	This report has been reviewed by the Finance Division and the funding source has been identified.	<p>THAT the Finance Committee approve the Water and Wastewater enhancement option for capital in the amount of \$_____, which results in an overall increase of _____% in the Water/Wastewater User Fees; and</p> <p>THAT the necessary by-laws be prepared.</p>
Background Attached		Recommendation Continued

Recommended by the Department	Recommended by the C.A.O.
 Lorella Hayes Chief Financial Officer/Treasurer	 Doug Nadorogny Chief Administrative Officer

Report Prepared By	Division Review
 Dion Dumontelle Co-ordinator of Accounting	 Paddy Buchanan Manager of Accounting

BACKGROUND

Under By-law 2001-138F (updated by By-law 2009-292), Council established a rate structure policy that provided for the full recovery of both water and wastewater costs and includes a Sustainable Capital Asset Management Plan (SCAMP).

In accordance with this policy and by-law, the water and wastewater rates for 2011 (before enhancement) are projected to be as follows:

Water Rates	Per cubic metre	\$1.076 representing a 5.2% increase (2010 – 3.4% increase)
	Fixed service charge	Various rates, depending on meter size but all reflecting a 5.2% increase (2010 – 3.4% increase)
	Miscellaneous	Various charges (e.g. sprinklers, hydrant charges, etc.) all reflecting inflationary increases over budgeted revenues for 2010
Wastewater Rates	109.4% (113.0% in 2010) of the water bill (variable and fixed)	

Overall, the increase in a water/wastewater bill (before capital enhancement) is forecasted at 3.4% for 2011 (2010 overall increase - 3.8%), which translates to an annual increase of \$40 for the typical residential property owner with an average usage of 360 cubic metres. The calculations to reach these new rates are attached as well as a chart showing the impact to the average household.

The total Water and Wastewater budget is \$56.5 million. The 2011 budget details can be found in pages 175 to 200 in the budget binder.

The overall rate increase of 3.4% is attributed to decreased consumption (2%), increase in capital spending in accordance with SCAMP (2.4%), increases in expenditures including salaries and benefits, energy and repair costs primarily related to water main breaks (2.7%) and reduction in internally allocated charges (3.7%).

For 2011, it is necessary to raise \$25.5 million through water user fees, which is virtually identical to 2010. The budget includes the Sustainable Capital Assets Management Plan (SCAMP) annual contribution of \$400,000, and contractual and inflationary increases. These expenditures are offset by reductions in internal allocations related to Program Support, fleet charges and indirect costs allocated from within Infrastructure Services. In 2010, the basis for these internal allocations was reviewed and revised to more accurately reflect the level of internal services provided to Water and Wastewater. These reductions, which reduce the water and wastewater budgets, have the impact of increasing the taxation levy by a corresponding amount of approximately \$1.9 million over 2010.

The expenses related to ongoing compliance with regulations passed by the Province after the Walkerton Inquiry, with regard to water treatment, remain a key factor in the costs of water production.

Wastewater revenues are budgeted to be \$26.4 million in 2011. This represents a decrease of approximately \$100,000 over the 2010 budget. The wastewater budget includes the Sustainable Capital Assets Management Plan (SCAMP) annual contribution of \$440,000 and contractual and inflationary increases that are offset by similar reductions in internal allocations as described above.

The wastewater rate will be 109.4% of total water charges, which represents a 3.2% decrease in wastewater charges from 2010.

Consistent with Council policy, 100% of Water and Wastewater costs are recovered through the Water/Wastewater rates, with the exception of \$2.9 million of water costs, related to the provision of fire protection which remains on the municipal levy.

Consumption

Consistent with similar trends across the province, consumption of water has been decreasing since amalgamation and this decline can be attributed to many factors, including:

- Conservation of water through education and technology such as water saving appliances
- Wet summers (particularly 2008 and 2009), leading to less outdoor watering
- Customers using less water in response to increased prices

Staff is currently working with Greater Sudbury Utilities to better understand and analyze consumption patterns. For 2011 we are projecting consumption levels of 14,900,000 cubic metres and it is anticipated that the 2010 consumption levels will be 15,000,000 cubic metres. This forecasted decrease in consumption is consistent with the industry trends.

Sustainable Capital Asset Management Program (SCAMP)

In 2001, Council adopted a 10 year plan (SCAMP) with a goal of ensuring that sufficient financing would be available to fund the required renewal of the water and wastewater infrastructure. Sudbury has been recognized by Provincial agencies for its efforts to move towards long term fiscal sustainability for its water and wastewater infrastructure assets.

As per policy and the by-law, Council approved annual additions of \$400,000 and \$440,000 to the water and wastewater capital envelopes, respectively. These amounts were based upon increasing capital spending on water and wastewater infrastructure to the industry standard of 2% of the replacement value of the water and wastewater infrastructure. In 2001, the estimated replacement value of the infrastructure was approximately \$1 billion. 2011 is the end of the 10 year window under the 2001 SCAMP program.

During 2010, a new Financial Plan for water and wastewater was developed and is being presented to the Finance Committee with the 2011 proposed budget. This new 10 year Water and Wastewater Financial Plan will provide further information on the capital spending requirements over the next ten years.

Since 2001, the water and wastewater capital envelopes have increased from \$6.5 million to \$21.5 million budgeted for in 2011. This significant increase in capital investment is due to the SCAMP and the capital policy of transferring debt payments to capital when the debt is retired. By the end of 2011, SCAMP will have contributed close to \$47.4 million in additional capital spending since its inception in 2001. During 2010 Budget deliberations, Council deferred SCAMP, \$1 Million worth of projects and removed inflation from the capital envelopes. This resulted in a capital budget reduction of approximately \$2.3 million.

2011 Capital Funding Enhancement Option

Based on the Water Wastewater Financial Plan, it has been identified that 2012 has a capital requirement including debt servicing of \$27.0 million (\$12.5 for water and \$14.5 for wastewater). With a proposed capital envelope of \$21.5 million plus proposed Federal Gas Tax funding of \$2 million for a total of \$23.5 million for 2011 (\$12 million for water and \$11.5 for wastewater) this will mean that the additional capital requirement for the 2012 capital envelope would be \$3.5 million (\$0.5 million water and \$3.0 million wastewater).

Council has the option to phase in a portion of this funding gap that would not only increase capital spending in a year when so many capital pressures have been identified, but it would allow for the recouping of a portion of the \$2.3 million in permanent capital reductions imposed during the 2010 budget deliberations. This phase-in would advance capital requirements identified in the unfunded capital project list (with capital budget submission) and the financial plan.

The impact on the rates contained in the financial plan will be brought forward when staff returns to Council with an update to the SCAMP policy prior to the 2012 budget deliberations.

The following chart illustrates the impact of a capital enhancement of 25% and 50% of the estimated \$3.5 million capital requirement for 2012 on the 2011 water/wastewater operating budgets and water/wastewater rates.

	Water	Wastewater	Total Capital Budget	Rate Effect
2011 Capital Envelopes	10,729,296	10,793,717	21,523,013	
Federal Gas Tax	1,255,000	745,000	2,000,000	
2011 Total Capital Spending	11,984,296	11,538,717	23,523,013	
25% of \$3.5 M	125,000	750,000	875,000	1.7%
50% of \$3.5 M	250,000	1,500,000	1,750,000	3.5%

The effect of additional capital funding will bring the water wastewater rate from a base of 3.4 % to a range between 5.1% and 6.9%.

New Water and Wastewater Charges

Bulk Water Filling Station Program

The City has been providing bulk water based on a flat rate fee per vehicle. The program is changing to provide metered bulk water. There is a recommended rate of \$1.75 per cubic metre for water provided through the bulk water filling station program. Total revenues from this program are approximately \$10,000 to \$15,000.

It is also proposed that the issue of a bulk water filling station card be set at \$50 per card and that the replacement of a card attract a fee of \$20.

Sewer Use By-law Fees

On September 15, 2010, Council approved By-law 2010-188, a by-law to prohibit, regulate and control discharges into bodies of waters within City boundaries or into the City sanitary sewers, storm sewers, sanitary sewage works and all tributary sewer systems, and on November 10, 2010 approved By-law 2010-245 which amended By-law 2010-188. This by-law will come into effect on September 15, 2011. The recommended fees below are consistent with fees charged by other municipalities similar to City of Greater Sudbury.

- Application for an Over strength Sewage Discharge Agreement - \$925
- Application for a Sanitary Sewer Discharge Agreement - \$925
- Application to enter into a Sludge Discharge Agreement - \$925
- Application to enter into a Leachate Discharge Agreement - \$925
- Application for a Hauled Liquid Waste Permit - \$250 per company
- Hauled Liquid Waste Permit Renewal Fee - \$25
- Hauled Liquid Waste Tipping Fee - \$32.00 per cubic metre
- Application for a Compliance Program - \$1,050
- Discharge fees related to the above agreements are calculated by formulae that will be appended to the by-law.

Since the by-law does not come into effect until late in the year no revenues have been budgeted for 2011.

SUMMARY

The proposed overall water/wastewater rate increase is 3.4%. A capital enhancement could result in a 1.7% to 3.5% additional increase, bringing the overall water wastewater increase to between 5.1% and 6.9%.

Based on the direction received from Council, the water and wastewater rate and water use by-laws will be prepared/amended to reflect these decisions and for Council's approval.

CITY OF GREATER SUDBURY
Draft
Water and Wastewater Rates
2011
Water

	\$
Budgeted 2011 Water Costs	29,551,625
Less: Fire protection charges financed through municipal levy	<u>2,940,652</u>
Total water costs to be financed	26,610,973
Less: Other Revenue Sources	<u>(1,125,220)</u>
Required Water Revenue	25,485,753
Estimated Revenue to be collected through fixed water charge after increase	<u>9,457,480</u>
Water Revenue to be collected through variable consumption charge	16,028,273
2011 Projected Consumption (in Cubic metres)	<u>14,900,000</u>
2011 Draft water rate	1.076
2010 Rate	1.023
Percentage Increase	5.2%

CITY OF GREATER SUDBURY
Draft
Water and Wastewater Rates
2011
Wastewater

	\$
Budgeted 2011 Wastewater Costs	26,751,492
Less: Other Revenue Sources	<u>(275,099)</u>
Required Wastewater Revenue	<u>26,476,393</u>
Total Water Revenue	25,485,753
Less: Portion not receiving Wastewater Services (5.0%)	<u>1,274,288</u>
	<u>24,211,465</u>
Required Wastewater Surcharge as a percentage of Water Revenue	<u>109.4%</u>
2010 Wastewater Surcharge as a percentage of Water Revenue	<u>113.0%</u>
Percentage Decrease	<u>-3.2%</u>

City of Greater Sudbury
Draft
Water and Wastewater Rates
Impact on Residential Homeowners

Estimated Water and Wastewater Costs - Typical Residential Property Owner - 360 cubic metres of Water Consumed

	2010	2011	Annual Increase	Annual Increase
	\$	\$	\$	%
Variable water consumption charges	368.28	387.36	19.08	5.2
Annual fixed water charges	178.32	187.56	9.24	5.2
Variable Wastewater consumption charges	416.16	423.77	7.61	1.8
Annual Fixed wastewater charges	<u>201.50</u>	<u>205.19</u>	<u>3.69</u>	<u>1.8</u>
Total water and wastewater costs	<u>1,164.26</u>	<u>1,203.88</u>	<u>39.62</u>	<u>3.4</u>