

Request for Recommendation Finance Committee





Type of Decision							
Meeting Date	November 24, 2011			Report Date	November 17, 2011		
Decision Requested	X	Yes	No	Priority	X	High	Low
	Direction Only			Type of Meeting	X	Open	Closed

Report Title
2012 Water and Wastewater Services Budget

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 approves the 2012 Water and Wastewater rates as follows: \$_____ per cubic metre; \$_____ water fixed service rate for either a 5/8 inch or 3/4 inch meter; and a wastewater surcharge of _____% of the total fixed and variable water bill;</p> <p>WHICH represents an overall increase of _____% based on residential customer using 250 cubic metres per annum; and</p> <p>THAT the remaining Miscellaneous Water Waste Water User Fees increase by the greater of 3% or September Consumer Price Index; and</p> <p>THAT Finance Committee approves the revised Sustainable Capital Asset Management Program, subject to annual approval by Council during budget deliberations; and</p> <p>THAT the necessary Water and Wastewater Rate By-law be prepared, and in accordance with the report dated November 17, 2011 from the Chief Financial Officer/City Treasurer.</p>
X	Background Attached	Recommendation Continued

Recommended by the Department	
 Lorella Hayes Chief Financial Officer/Treasurer	 Greg Clausen General Manager of Infrastructure Services

Recommended by the C.A.O.
 Doug Nadorozny Chief Administrative Officer

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

BACKGROUND

This report provides the Finance Committee with an overview of:

1. Proposed 2012 Water and Waste Water (WWW) Operating and Capital Budget
2. Recap of WWW 10 year Financial Plan
3. Proposed Budget Options and resulting impacts to WWW rates

2012 PROPOSED WATER AND WASTEWATER OPERATING AND CAPITAL BUDGET

The proposed operating expenditure budget is \$58.4 million compared to the 2011 operating expenses of \$57.3 million. The 2012 budget details can be found in pages 192 to 219 in the Operating Budget binder.

To fund the base budget operating expenditures, it will be necessary to raise \$25.9 million through the variable and fixed water user fees (\$25.6 in 2011) and \$27.9 million through the wastewater surcharge fees (\$27.1 million in 2011).

Based on the 2012 base budget and 2012 projected consumption, the variable water rate for 2012 would be \$1.124 per cubic metre (\$1.081 in 2011) representing a 4.0% increase.

The wastewater surcharge would be 112.3% of total water charges (111.9% in 2011), representing a 0.4% increase.

The fixed water charge for a 5/8 inch meter would be \$16.34 representing a 4.0% increase.

The overall proposed WWW increase is 4.2%, for a residential customer using 250 cubic metres per annum. These rates do not include any operating or capital enhancement options.

The increase is comprised of:

Base Budget	1.5%
Projected Decline in Consumption	<u>2.7%</u>
	4.2%

This proposed base budget includes a number of efficiencies that emanated from the Toward Fiscal Sustainability Plan and initiatives identified by management. These include:

- Annual reduction in diesel maintenance contract services of \$50,000 as part of an operational efficiency initiative that will see this work performed by City staff
- Reduction in the use of leased vehicles at a savings of \$20,000

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- Rationalization of some contractual services that will result in additional annual savings of approximately \$70,000

In addition, there are a number of potential medium to longer term sustainability initiatives, including:

- Service level standards governing distribution and collection emergency repairs, including defining response times for water main break repair. This standard will require Council approval
- Follow up on 2010 collective bargaining agreement items regarding shift schedules for distribution and collection, and lift station staff
- Improved synergies with Roads and WWW operations
- Business process reviews and implementation of new CMMS system
- Recommendations from Strategic Technology and Business Plan Review
- Non-revenue water reduction strategies
- Wet weather flow reduction strategies
- Plant process optimization (chemicals and power)

Fire Protection Costs on Municipal Levy

Consistent with Council policy, Water and Wastewater costs are recovered through the Water/Wastewater rates, with the exception of \$3.2 million of water costs, related to the provision of fire protection. These costs should be funded by the municipal levy in accordance with the Water Wastewater Rate By-law.

Municipal water system design has capacity for increased water flows for firefighting purposes and this capacity has a cost in terms of oversized infrastructure (water mains, pumps, storage tanks) and higher operating expenses. In 2001, the costs of fire protection services were calculated and have increased annually by a 2% inflationary factor.

For purposes of the Financial Plan approved by Council in 2011, the amount of fire protection costs were recalculated using a methodology provided by the American Water Works Association (AWWA). The cost of fire protection was calculated at \$3.4 million, of which only \$2.9 million was funded through the municipal levy in 2011. As per the methodology outlined by AWWA, the fire protection costs increase annually, as the operating and capital expenses increase.

For 2012, staff have budgeted \$3.2M, or 94% of the 2011 fire protection costs which have been funded from the municipal tax levy.

User Fees and Consumption

The water and wastewater user fee rates are calculated on the projected consumption for the upcoming year. Consistent with similar trends across the province, consumption of water has been decreasing. This decline can be attributed to many factors, including:

- Conservation of water through education and technology such as water saving devices
- Wet summers leading to less outdoor watering
- Customers using less water in response to increased prices

This decline in consumption puts upward pressure on the water and wastewater user fee rates. In 2006 consumption was 16.3 million cubic metres. The 2011 budget is 14.9 million cubic metres and the year end projection is between 14.3 to 14.5 million cubic metres. For 2012, budgeted consumption is 14.3 million cubic metres. Decline in consumption is consistent with industry trends.

It is recommended that other water and wastewater user fees included in the by-law be increased by the greater of 3% or September Consumer Price Index. This policy change is consistent with the City's Miscellaneous User Fee By-law.

Capital Base Budget 2012

The total proposed capital budget for water and wastewater for 2012 is \$35.1. The proposed funding is the base capital envelopes calculated in accordance with the Capital Budget Policy for 2012 of \$11.1 million for water and \$11.8 million for wastewater for a combined total of \$22.9 million as well as funding from Federal Gas Tax (\$2 million), Capital Financing Reserve Funds (\$5.0 million) and future capital envelopes (\$5.2 million). The highlights of the capital works program for the 2012 budget include:

- Robinson Drive Watermain - \$1.28M
- Phase 2 of Wahnapiatae Water Treatment Plant - \$2.0M
- Hanmer Water Storage Tank (design) - \$600,000
- Sudbury Wastewater Treatment Plant upgrades - \$6.75M
- Lift station upgrades - \$3.76M
- Various watermain and sewer projects - \$8.62M

The 2012 to 2016 Capital Budget details have been provided under separate cover.

FINANCIAL PLAN FOR WATER AND WASTEWATER SERVICES, DATED MARCH 1, 2011

Pursuant to Section 31(1) of the *Safe Drinking Water Act, 2002*, Provincial licenses are required for the operation of municipal drinking water systems in Ontario. To obtain these licenses one of the conditions that the City is required to meet includes the preparation of a financial plan that is approved by Council resolution and submitted to the Province.

The Financial Plan for Water and Wastewater Services was presented and approved by Council on March 3, 2011 and then submitted to the Ministry of Municipal Affairs and Housing.

The objective of the Financial Plan is to provide a financial projection that achieves long term financial sustainability for Water and Wastewater Services. Financial sustainability means that there are sufficient revenues to provide for operating costs, debt servicing costs and capital rehabilitation and replacement costs to the extent that Water and Wastewater Services meet or exceed regulatory and environmental protection standards.

The Financial Plan is an estimate of the future financial requirements of Water and Wastewater Services based on its actual experience with respect to operations and the best knowledge available about future economic conditions such as market demand, operating cost increases, capital requirements and interest rates. The Financial Plan is a dynamic document and because it is based on assumptions about the future it will change as these assumptions change.

The results of the Financial Plan showed that a Water and Wastewater rate increase of 7.4% was required in each of the next ten years to achieve financial sustainability based on a set of assumptions. The largest component of this increase is related to capital reinvestment (approximate average of 5%).

Further the Financial Plan indicated that this overall rate increase of 7.4% could be reduced to 6.1% if the period to achieve sustainability was increased to 15 years and further reduced to 5.4% if the period to achieve sustainability was increased to 20 years. The impact of extending the sustainability period is a reduction in the annual capital reinvestment.

Introduction of Sustainable Capital Asset Management in 2001

In 2001, the City of Greater Sudbury adopted a sustainable capital asset management program (SCAMP) which is contained in the Water and Wastewater Rate By-law. The By-law stated:

“The City’s Sustainable Capital Asset Management Program shall be continued, for the purpose of financing the on-going cost of maintaining the City’s water and wastewater infrastructure system. The water capital allocation for this purpose shall be increased by \$400,000 annually and the wastewater capital allocation by \$440,000 annually, until such time as capital contributions for water and wastewater equal 2% of the water and wastewater infrastructure replacement value.”

The estimated replacement value when the policy was established was \$1.1 billion. As a result of this progressive policy, capital expenditures for water and wastewater capital assets increased from \$10 million in 2001 to \$21.5 million in 2011. In the 2011 budget process Council approved \$2 million of Federal Gas Tax revenues to be allocated to water and wastewater and a further capital enhancement of \$875,000 resulting in an overall actual capital budget in 2011 of just over \$24 million.

While this increase in funding is consistent with the original forecasts under SCAMP, Council was advised in 2005 that the original funding increases under SCAMP would be insufficient to provide for sustainability of capital assets due to revisions in the estimated replacement cost of the infrastructure. With the completion of tangible capital asset accounting in 2009, the City has estimated the replacement value of the water and wastewater infrastructure to be in the order of \$2.3 billion and this would require \$46 million in annual capital spending (2011 dollars) compared to the capital spending budget of \$24.4 million in 2011.

Based on the results of the 10 year Financial Plan, it is recommended that the SCAMP policy within the Water Wastewater Rate By-law be updated.

PROPOSED SUSTAINABLE CAPITAL ASSET MANAGEMENT POLICY:

Commitment to Long Term Financial Sustainability

The updating of the sustainable capital asset management policy recognizes Council's commitment to the long term sustainability of water and wastewater infrastructure and provides sufficient capital funding based on the approved Financial Plan of March 3, 2011.

Updating of the Financial Plan and Annual Capital Allocation

The Financial Plan will change over time as a result of changing assumptions and future decisions of Council and therefore it is important that the Financial Plan be updated on a regular basis and the capital allocation also be updated to ensure that financial sustainability can be achieved. The policy recommends that the Financial Plan be updated as significant assumptions change but no less than every five years. Further, the capital allocation would also be updated and revisions to the Sustainable Capital Asset Policy, if required, presented to Council for approval.

Proposed Revision to the Sustainable Capital Asset Management Policy

This report recommends that the Sustainability Capital Asset Management Policy for Water and Wastewater Services be revised and approved as follows and that the Water and Wastewater Rate By-law be amended.

“The City’s sustainable capital asset management program shall be continued, for the purpose of financing the renewal of water and wastewater infrastructure systems. The Water and Wastewater capital allocation for this purpose shall be increased in accordance with the City’s “Financial Plan for Water and Wastewater Services” (dated March 1, 2011 and updated and approved by Council as required but no less than every five years) until such time as capital contributions for Water and Wastewater equal 2% of the Water and Wastewater infrastructure replacement value.”

Annual Budget Review and Approval

Although the recommended policy sets out that the annual budget allocation required in order to achieve financial sustainability be prepared in accordance with the Financial Plan dated March 3, 2011, Council has the opportunity through the annual budget process to review, change and approve the budget.

2012 BUDGET OPTIONS:

Eight budget options have been prepared for the Finance Committee’s consideration. The overall Water Wastewater rate increase for 2012 ranges from the base budget of 4.2% to 7.4%, if all eight budget options are approved.

See Appendix A for the Water Wastewater Budget Option Package.

Summary of the Proposed 2012 Budget Rate Increases

The following table summarizes the budget enhancements in four scenarios for the Finance Committee’s consideration. Table 1 provides an overview of the water and wastewater overall increases and the resulting rates for each of four options, for a **residential homeowner using 250 cubic metres** annually. Approximately 96% of the City’s customer base would be in this category, using a 5/8 or 3/4 inch water meter.

Table 1 (residence using 250 cubic metres)

	Option 1 Base Budget	Option 2	Option 3	Option 4
2012 Base Budget	4.2%	4.2%	4.2%	4.2%
Operating Budget Enhancements (#1 to #5)	-	0.3%	0.3%	0.3%
Capital Inflation Increase Enhancement (#6)	-	1.0%	1.0%	1.0%
SCAMP Increase (#7 and #8)	-	-	0.6%	1.9%
Overall Increase	4.2%	5.5%	6.1%	7.4%
Less: Option to Freeze Fixed Service Charge	(1.7%)	(2.2%)	(2.3%)	(2.1%)
Overall Increase with Freeze to Fixed Service Charge	2.5%	3.3%	3.8%	5.3%
Variable Water Rate per cubic metre	\$1.124	\$1.14	\$1.14	\$1.159
Wastewater Surcharge	112.3%	112.0%	113.2%	114.1%

Budget Options

See Appendix A for the details of the Operating Budget enhancements (#1 to #5).

In addition, see report on Meter Equivalency Ratios for explanation of option to freeze the 5/8 inch fixed service charge.

The following section provides further information regarding the Capital Budget enhancements (#6, #7 and #8).

Capital Envelope Inflation Enhancement (#6): 1% Increase

Council referred a budget option to change the City's policy and increase the capital envelopes by the Non-Residential Building Construction Price Index (NRBCPI). For 2012, this would increase the capital funding for Water and Wastewater by \$537,533, based on the current NRBCPI of 4.4%. This would increase the overall water wastewater rate by approximately 1.0%. For 2012, staff is recommending that the full increase go towards wastewater capital and funds will be applied to the upgrades at the Sudbury Wastewater Treatment Plant, thereby reducing the amount of funding required from future capital envelopes by \$537,533.

Sustainable Capital Asset Funding 2012 (#7 and #8)

In addition to the base capital budget the additional capital budget that would be required in accordance with the proposed revised SCAMP policy in each of the two options is as follows.

Enhancement #7 Rate Increase (\$000)			Enhancement #7 & #8 Rate Increase (\$000)		
Water	WW	Total	Water	WW	Total
0	282	282	200	437	637

The SCAMP options were developed within the overall rate increase of 7.4% approved by the Financial Plan. Since consumption is less than anticipated, the amount of capital proposed by the SCAMP options is less than the recommendation in the Water Wastewater Financial Plan.

Enhancement 7: 0.6% Increase

Additional Wastewater capital expenditures totaling \$282,000 include:

Funds would be applied to the upgrades at the Sudbury Wastewater Treatment Plant (head house and standby power) thereby reducing the amount of funding required from future capital envelopes by \$282,000.

Enhancement 8: 1.9% Increase

Additional water and wastewater capital expenditures totaling \$637,000 include:

Water

- Lively water tank demolition \$160,000
- Watermain Rehabilitation (lining) \$40,000

Wastewater

- Funds would be applied to the upgrades at the Sudbury Wastewater Treatment Plant (head house and standby power) thereby reducing the amount of funding required from future capital envelopes by \$437,000.

CONCLUSION AND RECOMMENDATION

In summary, the proposed overall water/wastewater rate increase is 4.2%. The enhancements proposed could result in a 0.3% to a 3.2% additional increase, bringing the overall water wastewater increase to between 4.2% and 7.4%.

The overall rate increase will also change, depending on the Committee's decision with respect to freezing the residential monthly Fixed Service Charge.

Council will be voting on the budget and options at its December 5th, 2011 meeting and passing the Water and Wastewater Rate By-Law at its meeting of December 14th, 2011. Following this time line will ensure that rates are approved and effective as of January 1st, 2012 resulting in no lost revenues in 2012.

APPENDIX A

CITY OF GREATER SUDBURY 2012 OPERATING BUDGET OPTIONS WATER WASTEWATER SERVICES

Category		Revenues	Expenses	WWW Rate Impact	Option #	Vote YES/NO
Fiscal Sustainability	Implement a new fee for site inspections - subdivisions and site plans.	-20,000		-0.05%	1	
Council/Committee Resolution	Implement a Pavement Degredation Fee. This represents water waste water costs to be charged by roads.		30,000	0.05%	2	
Council/Committee Resolution	Implement a \$75 Elderly Water Wastewater Rebate for single dwelling home owners over age 65 and in receipt of GIS		71,250	0.15%	3	
Fiscal Sustainability	Introduce new fees for emergency locates, private sewer lateral corrective call outs and increase existing fees related to tampering and water shut offs.	-130,000		-0.25%	4	
Council/Committee Resolution	Hire 2 additional FTE's. One is an additional capital engineer to handle the increased capital expenditures recommended by the Water Wasterwater Financial Plan. The other is an administrative position to assist with capital budget financial analysis and procurement and contract administration.		236,572	0.40%	5	
	Subtotal Operating Options	-150,000	337,822	0.30%		
Council/Committee Resolution	Increase the water and wastewater capital envelopes by the Non-Residential Building Construction Price Index(NRBCPI)		537,533	1.00%	6	
Council/Committee Resolution	Increase capital envelopes by an additional \$282,000.		282,000	0.60%	7	
Council/Committee Resolution	Increase capital envelopes by an additional \$637,000.		637,000	1.30%	8	
	Subtotal Capital Options		1,456,533	2.90%		
	Total Options	-150,000	1,794,355	3.20%		

CGS Budget Option		Year:	2012
Category: Fiscal Sustainability		Type: Reduction	Fund: Operating
Department: 5250 Waste Water Revenue		Division: Infrastructure Services	
Request: As a Fiscal Sustainability measure a new fee for site inspections - subdivisions and site plans			
Description/Impact: <p>As a Fiscal Sustainability proposal, a site inspection fee related to the release of letters of credit and deposits would be charged to developers. The fee is related to those inspections that City staff perform in order to ensure that on-site works have been completed in accordance with approved plans. These inspections are necessary in order to allow for the release of deposits and letters of credit which the City is holding to ensure the completion of the works. In most cases more than one site inspection is required to confirm that the works have been completed to the City's satisfaction. Revenue generated from the site inspections would also flow to the Water/Wastewater Department which would generate additional permanent cash inflows of \$20,000.</p> <p>Staff have prepared a report to the September 6, Planning Committee meeting setting out in greater detail this new fee for site inspections and in what instances it would be applied. Policy Committee has approved the fee increase in principle and therefore has been referred to Finance Committee for consideration in the 2012 Budget process. If approved, this option would reduce the overall water and waste water rate by approximately .05%.</p>			
Impact on Staffing (Negative if Reduction)		Net Budget Increase (Negative if Reduction)	
Full Time Postion(s): 0		Permanent: \$(20,000) One-time: \$0 Notes:	

Status: Open

CGS Budget Option		Year:	2012
Category: Council/Committee Resolution		Type: Enhancement	Fund: Operating
Department: 5238	Water Repairs and Maintenance	Division:	Infrastructure Services
Request: Implement a Pavement Degredation Fee			
Description/Impact:			
<p>On September 21, 2011 the Policy Committee recommended that an option for Pavement Degradation Fees be forwarded to the Finance Committee for consideration in the 2012 budget. It was also recommended that the fee schedule be amended to limit the fees to roads that do not exceed 20 years of age.</p> <p>It is anticipated that the amended fee schedule will result in annual revenues of approximately \$70,000. These fees will have an impact on various utility companies such as Greater Sudbury Hydro, Hydro One, Bell Canada, Vianet, Union Gas as well as some City Departments, primarily Water/Wastewater Services. Fees of approximately \$60,000 are expected from Water/Wastewater Services and the remaining \$10,000 from external utility companies. Implementation of the Pavement Degradation Fee will commence on July 1, 2012. This will result in increased costs of approximately \$30,000 for water, which will be funded by water user rates. Any revenue received from implementation of these fees will be contributed to the Capital Financing Reserve Fund- Roads.</p> <p>If approved, this option would increase the overall water and waste water rate by approximately .05%.</p>			
Impact on Staffing (Negative if Reduction)		Net Budget Increase (Negative if Reduction)	
Full Time Postion(s): 0		Permanent: \$30,000 One-time: \$0 Notes:	

Status: Open

CGS Budget Option**Year:** 2012**Category:** Council/Committee Resolution**Type:** Enhancement**Fund:** Operating**Department:** 5201 Water Waste Water Admin**Division:** Infrastructure Services**Request:** Implement a permanent \$75 Elderly Water Wastewater Rebate**Description/Impact:**

A \$75 elderly water waste water rebate for single dwelling homeowners over age 65 and in receipt of the Guaranteed Income Supplement was presented to Policy Committee on November 16, 2011. This was referred to the Senior's Advisory Panel for comment.

If Council were to approve Option 2 as recommended by staff, the estimated cost of \$71,250 would increase the overall water and waste water rate by approximately .15%.

Impact on Staffing (Negative if Reduction)**Full Time Postion(s):** 0**Net Budget Increase (Negative if Reduction)****Permanent:** \$71,250**One-time:** \$0**Notes:****Status:** Open

CGS Budget Option		Year:	2012
Category: Fiscal Sustainability		Type: Reduction	Fund: Operating
Department: 5241 Water Meter Maintenance		Division: Infrastructure Services	
Request: Introduce new user fees for water and waste water services and increase other existing fees.			
Description/Impact: <p>As a fiscal sustainability proposal, additional user fees related to emergency locates, private sewer lateral corrective call outs are proposed. In addition, existing fees relating to water shut off and meter tampering administrative fees will be increased to reflect the actual costs of providing the service. See attached summary for details. If approved, this option would reduce the overall water waste water increase by approximately .25%.</p>			
Impact on Staffing (Negative if Reduction)		Net Budget Increase (Negative if Reduction)	
Full Time Postion(s): 0		Permanent: \$(130,000) One-time: \$0 Notes:	

Status: Open

**CITY OF GREATER SUDBURY
2012 BUDGET
MISCELLANEOUS REVENUES BUDGET OPTION**

Proposed New Water Wastewater (WWW) User Fees

The following new fees are being proposed. In recommending these fees, WWW have reviewed the fee structures in other Ontario municipalities and the fees proposed are consistent with charges across Ontario. These fees are being introduced to ensure that users of a particular service pay for the service rather than the cost being covered by all WWW users and that the service is being used wisely by citizens.

Proposed Fee	Proposed 2012 Fee	Revenue Impact
Verification of water meter accuracy if water meter is found to be accurate	\$286	Nominal
Leachate tipping fee	\$25 per cubic meter	Not determinable
Private Sewer Lateral – second and subsequent call outs when repairs to private pipes are not carried out in accordance with original assessment	\$80 per hour	\$60,000
Emergency locates	\$175 per hour	\$20,000
After hours charge for thawing water lines	\$50	\$500
Operator in charge (attendance at work sites to supervise WWW infrastructure)	\$80 per hour	Currently charging but not identified in the by-law therefore housekeeping change. No new revenue
Tapping	\$80 per hour	Currently charging but not identified in the by-law therefore housekeeping change. No new revenue
Valve turning	\$80 per hour	Currently charging but not identified in the by-law therefore housekeeping change. No new revenue
Fire flow testing	\$80 per hour	\$1,000
Hydrant water use	\$1.85 cubic metre \$500 refundable equip deposit \$250 equip rental and set up	\$2,000

Adjustments to Existing WWW User Fees

The following changes to existing WWW user fees are being recommended to more closely approximate the City's actual costs related to these services.

Existing Fee	2011 Fee	Proposed 2012 Fee	Revenue Impact \$
Bulk Water	1.75	1.85	3,500
Bulk Water Cards	\$50 per card	\$50 per customer	N/A
Admin Fee Tampering	169	230	12,000
Water Supply Shut Off	30.97	70.00	31,000

CGS Budget Option		Year:	2012
Category: Council/Committee Resolution		Type: Enhancement	Fund: Operating
Department: 5202 Water Waste Water Supervision		Division: Infrastructure Services	
Request: Hire two additional staff to support water and waste water capital programs			
Description/Impact: <p>The Water and Wastewater Financial Plan, which was received by Council during 2011, identified the need for additional engineering staff to deal with the increasing capital costs. This was identified to occur during 2012 and this enhancement will enable water and waste water staff to ensure that present and future capital projects are planned and completed on a more timely basis. The second position is an administrative position to assist with capital budget financial analysis, procurement and contract administration.</p> <p>If approved, this option would increase the overall water waste water rate by approximately .4%.</p>			
Impact on Staffing (Negative if Reduction)		Net Budget Increase (Negative if Reduction)	
Full Time Postion(s): 2		Permanent: \$236,572 One-time: \$0 Notes:	

Status: Open

CGS Budget Option**Year:** 2012**Category:** Council/Committee Resolution**Type:** Enhancement**Fund:** Operating**Department:** 5253 W W Debt and Cont to Cap**Division:** Infrastructure Services**Request:** Increase Capital Envelopes from 2% Inflation to Non Residential Building CPI of 4.4% for 2012 Budget**Description/Impact:**

The recommendation outlined in the November 3rd, 2011 report titled "Capital Budget - Inflation Options" has been approved to be brought forward by the Finance Committee during the November 8th, 2011 Finance Committee meeting. The option is to amend the existing capital policy and increase capital envelopes by the Non-Residential Building Construction Price Index (NRBCPI) effective for the 2012 Budget. This cost index directly relates of the cost of capital construction projects and will assist the City in maintaining the current level of infrastructure. In addition, recognition of these inflationary pressures will ensure capital investments are not eroded by shrinking real dollars. This option would result in an additional \$537,533 in capital funding. If approved, this option would increase the overall water and waste water rates by approximately 1.0%.

Impact on Staffing (Negative if Reduction)**Full Time Postion(s):** 0**Net Budget Increase (Negative if Reduction)****Permanent:** \$537,533**One-time:** \$0**Notes:****Status:** Open

CGS Budget Option**Year:** 2012**Category:** Council/Committee Resolution**Type:** Enhancement**Fund:** Operating**Department:** 5253 W W Debt and Cont to Cap**Division:** Infrastructure Services**Request:** Increase capital envelopes by an additional \$282,000**Description/Impact:**

In addition to the base capital budget, the additional capital budget that would be required in accordance with the proposed revised SCAMP policy under this option would be \$282,000. The SCAMP options were developed within the overall rate increase of 7.4% approved by the Financial Plan. Since consumption is less than anticipated, the amount of capital proposed by this SCAMP option is less than the recommendation in the Water Wastewater Financial Plan. If approved, this option would increase the overall water waste water rate by approximately .6%.

Impact on Staffing (Negative if Reduction)**Full Time Postion(s):** 0**Net Budget Increase (Negative if Reduction)****Permanent:** \$282,000**One-time:** \$0**Notes:****Status:** Open

CGS Budget Option**Year:** 2012**Category:** Council/Committee Resolution**Type:** Enhancement**Fund:** Operating**Department:** 5253 W W Debt and Cont to Cap**Division:** Infrastructure Services**Request:** Increase capital envelopes by an additional \$637,000**Description/Impact:**

In addition to the base capital budget, the additional capital budget that would be required in accordance with the proposed revised SCAMP policy under this option would be \$282,000. The SCAMP options were developed within the overall rate increase of 7.4% approved by the Financial Plan. Since consumption is less than anticipated, the amount of capital proposed by this SCAMP option is less than the recommendation in the Water Wastewater Financial Plan. If approved, this option would increase the overall water waste water rate by approximately 1.3%.

Impact on Staffing (Negative if Reduction)**Full Time Postion(s):** 0**Net Budget Increase (Negative if Reduction)****Permanent:** \$637,000**One-time:** \$0**Notes:****Status:** Open