

AGENDA
Municipality of South Dundas
Fifty-Third Meeting of The Sixth Council
34 Ottawa Street Morrisburg ON
Tuesday, July 19, 2016 4:00 PM

Page

- 1. CALL TO ORDER**
- 2. DECLARATION OF PECUNIARY INTEREST AND THE GENERAL NATURE THEREOF**
- 3. SEWER/WATER BUDGET DISCUSSION**
 - a) [Treasury Report TR2016-02 - 2016 Water & Wastewater Budget & Rates](#) 2 - 6
 - b) [Treasury Report TR2016-03 - 2016 Water & Wastewater Capital Works](#) 7 - 10
- 4. IN CAMERA**
- 5. ADJOURNMENT**



MUNICIPALITY OF SOUTH DUNDAS

Treasury Department Report TR2016-02

To: Mayor & Council

From: Shawn Mason, Accounting Assistant & Sarah Myers, Deputy Treasurer

Date: July 19, 2016

Subject: 2016 Water & Wastewater Budget & Rates

Recommendation:

That the Council of the Municipality of South Dundas increase the fixed water rate by 10%.

Background:

In 2008 municipal staff proposed water rates based on the proportion of fixed costs, the fixed rate, and variable costs being the consumption rate. At that time the ratio of fixed costs to variable costs was 63:37. Current analysis now estimates that ratio to be 80:20. As time has gone on consumption has fluctuated and costs continue to trend upward. Water and wastewater rates for the Municipality of South Dundas were last adjusted in 2014.

Budget:

The 2016 water and wastewater budgets, Exhibit A, as presented, represent a less than 1% budgeted expenditure increase over the 2015 actuals for both services.

The 2016 water operating and capital budget is estimated to return a deficit of \$80,048, which may need to be funded by a transfer from reserves. Debt charges for the water plant, which is financed through Infrastructure Ontario until 2028, are budgeted to be higher than revenue generated by the levy and the difference will be funded by the OSTAR (Ontario Small Town and Rural Program).

Exhibit B illustrates the progression of operating costs as fixed, variable and total costs, for the water system since 2008.

Rates:

An increase to the water fixed rate of 10% has been calculated into the billing revenue for the 2016 budget, the consumption rate is unchanged. The sewer rates for each of Morrisburg (75%) and Iroquois (100%) are unchanged but revenue is expected to increase due to the higher water rate. In order for the estimated 2016 operating and capital deficit to be funded entirely by the water rate, a fixed rate increase of 14.67%, effective retroactively to January 1, or an increase of 35.22% effective August 1, would be needed.

Exhibit C shows the progression of the water fixed, consumption and water plant levy rates since 2008.

With any of the rate increases identified there is no consideration for transfers to reserves for future asset replacement. The Asset Management Plan suggests annual contributions to reserves of \$168,045 for water and \$182,106 for wastewater for future replacement.

Council should consider annual water rate increases so as to attain full cost recovery of operating and capital costs as well as start to build sufficient reserves for future replacement of capital assets.

A report will be coming forward to address possible inequities with the structure of the water rates within the municipality. The analysis of a sampling of municipal water rates is provided in Exhibit C.

EXHIBIT A

Municipality of South Dundas
2016 Draft Water and Wastewater Budgets
as presented July 19, 2016

Wastewater

	Williamsburg		
	2015 Budget	2015 Actual	2016 Budget
Revenue	(43,575)	(42,600)	(42,600)
Operating Expenditures	40,917	24,361	37,946
Transfer to Reserves	2,658	18,239	4,654
Surplus/Deficit	-	-	(0)

	Iroquois		
	2015 Budget	2015 Actual	2016 Budget
Revenue	(368,797)	(1,391,639)	(363,236)
Transfer from Reserve	-	(58,850)	(39,270)
Operating Expenditures	368,797	369,801	338,887
Capital	-	24,868	63,619
Surplus/Deficit	-	(1,055,820)	0

	Morrisburg		
	2015 Budget	2015 Actual	2016 Budget
Revenue	(592,976)	(487,441)	(498,361)
Transfer from Reserve	-	(19,421)	(37,126)
Operating Expenditures	453,243	402,303	419,107
Capital	-	104,559	116,380
Transfer to Reserves	139,733	-	-
Surplus/Deficit	-	-	(0)

Water

	2015 Budget	2015 Actual	2016 Budget
Revenue	(1,533,993)	(1,490,016)	(1,409,811)
Proceeds from Debt	-	-	(2,500,000)
Transfer from Reserve	(324,808)	(176,020)	(80,048)
Operating Expenditures	959,741	940,879	948,900
Capital	558,500	384,597	2,710,000
Debt	340,560	340,560	330,959
Surplus/Deficit	-	-	(0)

EXHIBIT B OPERATING COSTS 2008-2016

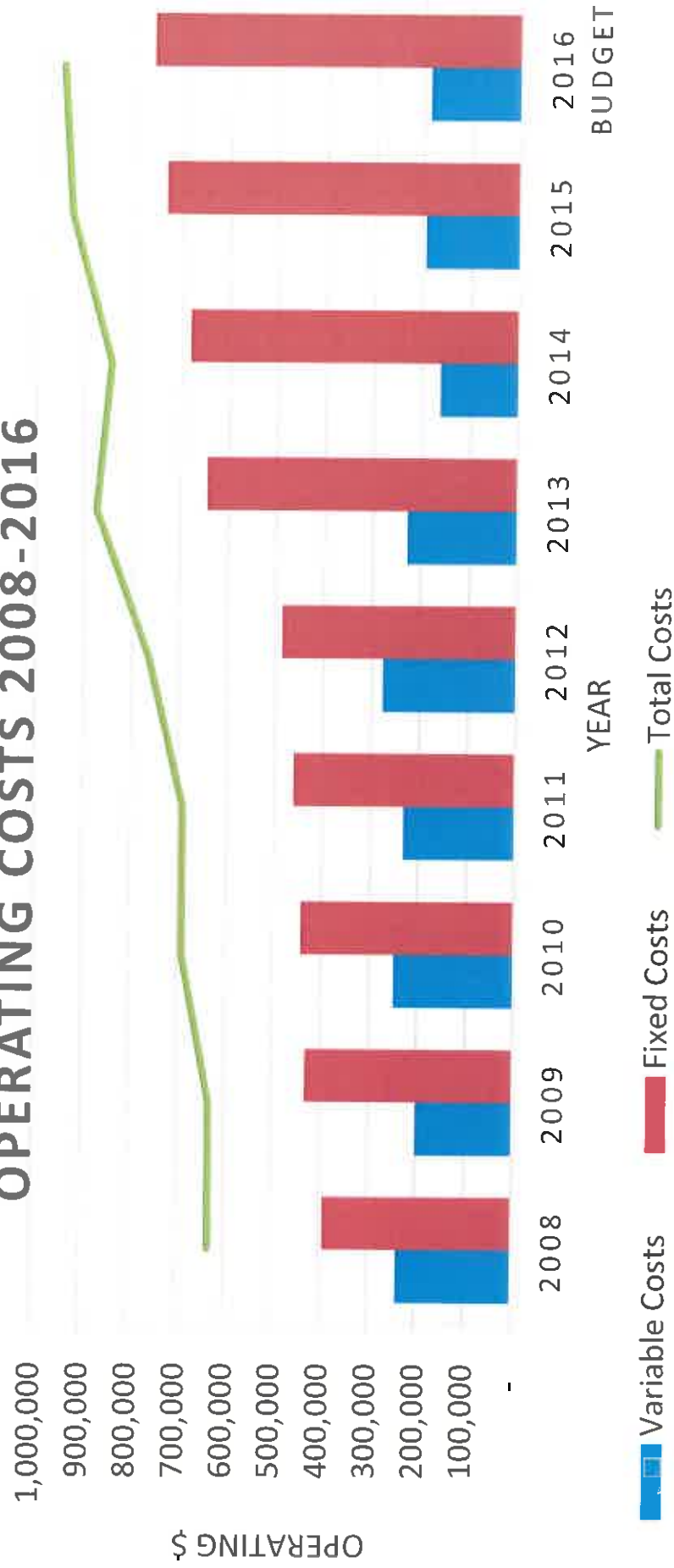


EXHIBIT C

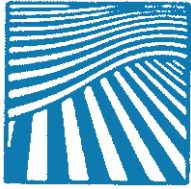
Municipality of South Dundas Water Wastewater Rates 2008-2016

	Fixed \$/month	Consumption /m3	Water Plant Levy /m3
2008	15.75		0.75
2009	19.54	0.62	0.50
2013	21.99	0.65	0.75
2014	30.26	0.65	0.75
Proposed:			
Aug 1 2016	33.29	0.65	0.75

Comparison of Fixed Rate Fees

Meter Size	North Dundas		Gananoque		Brockville		South Dundas		Smiths Falls (Comm & Ind)	
	Annual Fixed Rate	% over 5/8"	Annual Fixed Rate	% over 5/8"	Annual Fixed Rate	% over 5/8"	Annual Fixed Rate	% over 5/8"	Annual Fixed Rate	% over 5/8"
5/8	96.00		171.60		213.00		363.12		404.16	
3/4	96.00	0%	240.24	40%	319.56	50%	363.12	0%	404.16	0%
1	134.40	40%	343.24	100%	532.56	150%	363.12	0%	404.16	0%
1.5	172.80	80%	600.64	250%	1,065.00	400%	363.12	0%	909.72	125%
2	278.40	190%	978.20	470%	1,704.00	700%	363.12	0%	1,364.28	238%
3	1,055.88	1000%	1,029.68	500%	3,195.00	1400%	363.12	0%	2,046.48	406%
4	1,343.76	1300%	2,831.60	1550%	5,325.00	2400%	363.12	0%	3,069.72	660%
6					10,650.00	4900%	363.12	0%	4,604.64	1039%
8					13,845.00	6400%	363.12	0%	6,906.84	1609%

Note: South Dundas Commercial Institutional & industrial customers account for 11% of the customer base but are responsible for 41% of water consumption



MUNICIPALITY OF SOUTH DUNDAS

Treasury Department Report TR2016-03

To: Mayor & Council

From: Shawn Mason, Accounting Assistant & Sarah Myers, Deputy Treasurer

Date: July 19, 2016

Subject: 2016 Water & Wastewater Capital Works

Recommendation:

That the Council of the Municipality of South Dundas direct staff to negotiate 20 year financing with Infrastructure Ontario to fund the rehabilitation and upgrade of the two municipal water towers.

Background:

Late in 2015 an inspection was performed to the interior, exterior and underground of the two municipal water towers. A report on the findings of the inspections was provided to council by the Manager of Public Works earlier in 2016. In the 2016 draft water budget, staff has included the cost of rehabilitations and upgrades to the two towers at a potential upset cost of \$2,500,000.

Information:

There are a few considerations for discussion regarding the financing of the tower rehabilitations and upgrades. Exhibit A provides an analysis of the financing costs and payments and terms for borrowing the funds from Infrastructure Ontario.

Given we are in the latter part of 2016, staff does not expect the debenture by-law, for the new debt, to be forwarded to council until late in the year. Therefore, no debt charges are expected to be realized until the 2017 budget year. The debt charges to be budgeted in 2017 and future budgets may be

offset by a transfer from the RSL reserve fund in order to avoid further impact to the water rate.

Interest rates continue to be low and taking advantage of those rates to keep borrowing costs down may prove to be an effective use of funds over the long term to the detriment of the provincial Annual Repayment Limit (ARP) which limits the amount of debt a municipality may subscribe to.

However, as the municipality continues to take on debt to replace municipal infrastructure and, at some point, start to fund future replacements by growing municipal reserves, those decisions will demonstrate to the province of a commitment by the municipality to continue to close the infrastructure gap.

Exhibit B is an excerpt from the "Building Together – Guide for Municipal Asset Management Plans" recommending full cost recovery of water and wastewater systems.

Exhibit A

Infrastructure Ontario Financing

Amount to be financed - \$2,500,000

	20 year	25 year	30 year
Interest Rate - (at July 6)	2.86%	3.05%	3.15%

Cost of Money

Payment Frequency:

Monthly	785,692	1,076,120	1,367,632
Quarterly	791,482	1,082,166	1,373,718
Semi Annually	800,152	1,091,219	1,382,833

Annual Debt Charges

Payment Frequency:

Monthly	164,285	143,045	128,921
Quarterly	164,574	143,287	129,124
Semi Annually	165,008	143,649	129,428

The Commission on the Reform of Ontario's Public Services, in its report on transforming Ontario's public sector, discussed the need for full-cost water pricing:

"... in municipal water and wastewater services...stable investment over the long-term is more efficient and results in greater intergenerational fairness... Moreover, full-cost pricing in water and wastewater services has the added benefit of encouraging conservation — an area in which Canada desperately lags the world's best. The electricity sector already operates on a cost recovery model; so too should water and wastewater services.

Recommendation 12-2: Implement full cost pricing for water and wastewater services."

Source: Public Services for Ontarians: A Path to Sustainability and Excellence, Report of the Commission on the Reform of Ontario's Public Services (2012).

As a condition of future provincial infrastructure funding, municipalities will be required to demonstrate that a full range of available financing and revenue generation tools has been explored.

Provincial infrastructure funding will continue to be conditional on municipalities demonstrating that they are complying with all relevant legislative requirements, including completing bridge inspections as required under the *Public Transportation and Highway Improvement Act, 1990* and submitting Financial Information Returns as required under the *Municipal Act, 2001*.