

Budget 2019



2019 Budget Background

The Municipality of South Dundas delivers a wide variety of programs and services to residents and businesses, ensuring their needs are met by allocating the limited resources available to the Municipality for the best use. The Municipality of South Dundas covers a large geographic area that continues to experience growth. With growth, the Municipality is faced with delivering core services, addressing aging infrastructure, and long-term financial planning, while balancing the financial burden on the taxpayers as there are only limited sources of funding available to fund these goals and objectives.

This challenge is addressed annually through budget deliberations. Council decides on the overall level of service and the types of programs, infrastructure and long-term investment necessary to support a growing community while preserving a lifestyle affordable to residents of South Dundas. Council passed the final 2019 Budget at the March 5th Council Meeting.

The Municipality of South Dundas takes the management and stewardship of public funds seriously. The Municipality of South Dundas 2019 budget process has focused on containing costs and implementing efficiencies with the goal of demonstrating financial responsibility.

The Municipality of South Dundas strives to provide good value for tax dollars and works to enhance value for taxes by monitoring the efficiency and effectiveness of services. The challenge of the budget process is to meet the many and varied needs of residents and businesses at a cost that is reasonable to Municipal taxpayers.

Revenues

Property taxes are calculated by multiplying the property assessment values established by Municipal Property Assessment Corporation (MPAC) by the tax rate set for each property class that is sufficient to raise the revenue required to support municipal services. The amount required for municipal services is based on planned operating and capital expenditures net of all other revenue sources.

Non-recurring revenues are those revenues that the Municipality has little control over in terms of the amount, timing or conditions associated with receiving them.

Examples are funding from senior levels of government for a specific purpose, an operating surplus or gain from sale of an asset.

Budget Highlights

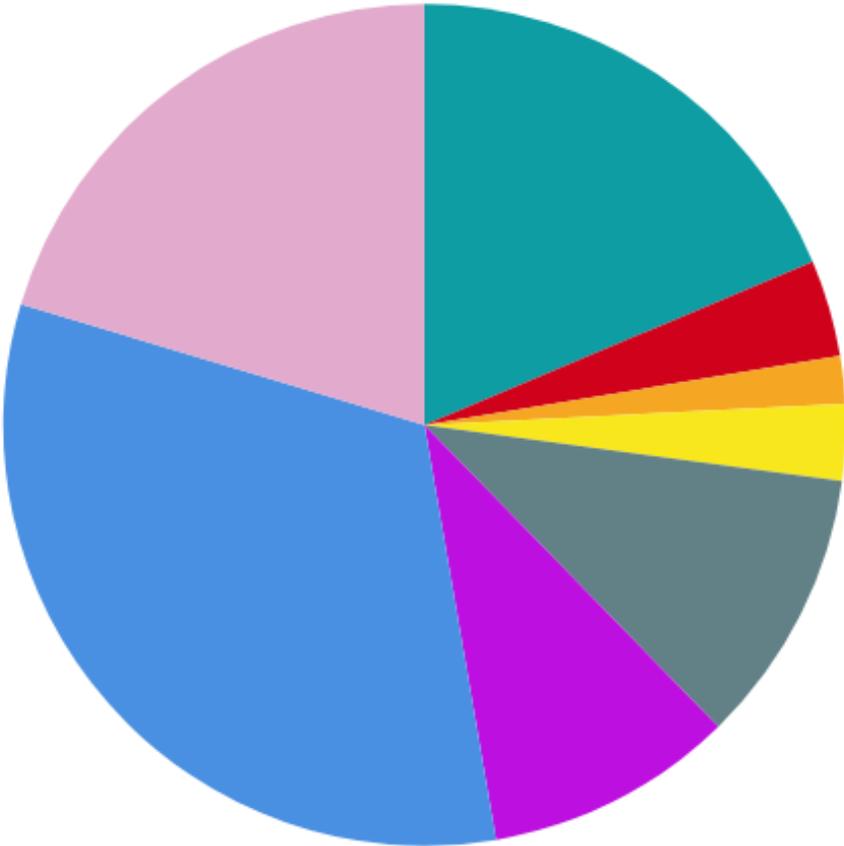
The average residential property taxpayer in South Dundas with a Current Value Assessment (CVA) of \$206,277 should experience a 1.41% — or \$14.26 — increase over 2018 for Municipal purposes only.

In addition to ongoing operations and maintenance, some details of the 2019 Municipal budget include:

- 2019 donations to community organizations and agencies totaling \$17,200;
- Formula Funding under the Ontario Community Infrastructure Fund increase of \$142,192 totaling \$410,219 for 2019;
- Federal Gas Tax allocation for 2019 totaling \$328,632, financing road and facility projects within the 2019 budget;
- Roads needs study to determine the overall condition of the road network and to make informed decisions on improvements to Municipal infrastructure;
- Ontario Street reconstruction including water & sewer line work in conjunction with the Clean Water & Wastewater Fund.
- \$150,000 contribution to the Public Works Sidewalk Upgrade Program
- Haldane & Meadowbrook park beautification
- Rehabilitation of the Morrisburg Clock Tower along with addition of an accessible washroom;
- Installation of roadside banners in Williamsburg and Brinston;
- Debt payments for the Industrial Park Expansion through Infrastructure Ontario until 2028;
- Creation of a contract Community Program Coordinator position;
- Hiring of a Youth Engagement Intern with funding from the Rural Ontario Institute;
- Continued investment into the Morrisburg and Iroquois Waterfronts.

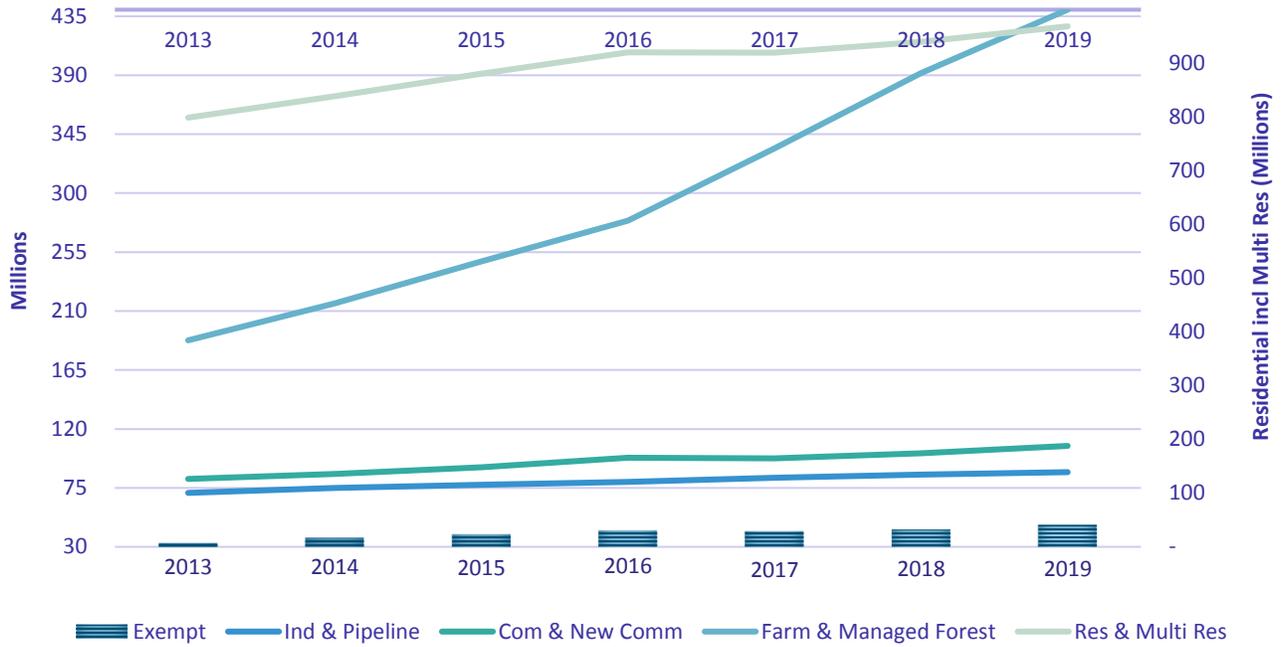
Municipal services have been maintained, with new projects anticipated to be completed in 2019. The 2018 Financial Audit is expected to be conducted in April 2019 and delivered to Council thereafter to highlight the activity in 2018 and the financial position of the Municipality.

2019 Budget by Department

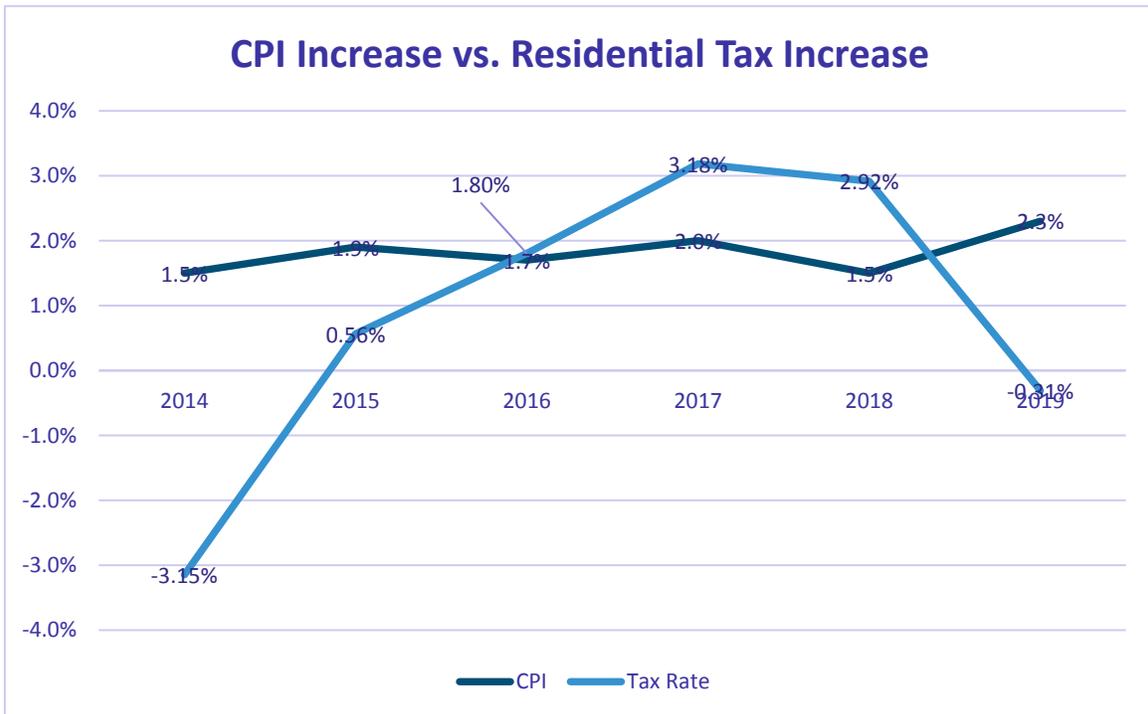


■ Treasury/Admin (18.65%) ■ Building, By-Law & Planning (3.73%) ■ Council (1.82%) ■ Economic Development (2.93%)
■ Environmental Services (10.58%) ■ Fire & Emergency (9.56%) ■ Public Works (32.35%) ■ Recreation & Facilities (20.37%)

ASSESSMENT BY CLASS TYPE



CPI Increase vs. Residential Tax Increase



2019 Water & Wastewater Summary & Rates

The South Dundas Water Treatment Plant was commissioned in the summer of 2006. It is a state-of-the-art facility using a membrane filtration system and granular activated carbon contactors to eliminate any odor and taste. The water meets all provincial requirements under the provincial water legislation.

The total project cost was approximately \$19,900,000. Funding was provided under the Ontario Small Town and Rural Development Infrastructure Initiative (OSTAR) program, a three-way cost sharing program between the Federal, Provincial and Municipal governments.

The Municipality is recovering its share of the project, net of contributions from other sources, of approximately \$8,800,000 from benefiting residential, multi-residential, commercial, industrial and institutional properties.

The approved cost recovery plan has three components:

- \$1,500,000 to be recovered from new growth over a twenty-year period;
- \$3,120,000 to be recovered via an upfront payment of \$2,000 per property currently receiving municipal water. Full or partial payment was due by December 31, 2007. Any unpaid amounts were recovered over five years as a special charge added to the individuals municipal tax account; and
- \$4,180,000 to be recovered through a surcharge on every cubic meter of water consumed. A surcharge of \$0.75 per m³ is added to individual utility bills effective with water used on or after January 1, 2008. It was anticipated based on consumption data available at the time that the Municipality would recover approximately \$360,000 annually through the surcharge.

The new plant, completed in 2009, was built on the same site as the existing plant with the existing lagoon being decommissioned as part of the project.

The Morrisburg-Iroquois Water Treatment Project commenced in 2000 with the completion of the Municipal Class Environmental Assessment and application for funding to the Provincial Government through the OSTAR /Canada-Ontario Infrastructure Program (COIP) projects. The original application was based on the Class Environmental Assessment preferred alternative of a single plant servicing Morrisburg and Iroquois. Those preliminary cost estimates were carried through

the application process. At that time, the Provincial Government indicated that funding would only be provided based on the least cost alternative required to comply with the requirements of the Drinking Water Protection Regulation (O. Reg. 459/00) (subsequently the Safe Drinking Water Act). The Thompson Rosemount Group Inc. on behalf of the Municipality of South Dundas prepared cost estimates for both the Class EA preferred alternative and the Provincially mandated least cost alternative which was to upgrade the existing facilities.

As indicated in the GeoEconomics Associates Incorporated 2002 Report completed for Superbuild, the estimates at the Class Environmental Stage (Study Stage) should have an accuracy of plus 50% or minus 30%. Furthermore, from the time the original estimates for funding were prepared until the funding was secured, project tendered and implemented, there were significant increases in cost due to inflation in the non-residential construction industry which were not accounted for in the original estimates. This inflationary increase using the Non-residential Building Construction Price index is 27.9%. The cause of the cost overruns for this project were a combination of the inflation of non-residential construction costs between funding application and project implementation and also the inaccuracy of the estimates at the time of application.

Upon tendering, the single regional plant component came in at a cost of \$10.8 million which was \$3.9 million above the OSTAR estimate of \$6.9 million. Prior to closing of the tenders, the OSTAR project officer was contacted to indicate that the project was likely to exceed the original estimates and to enquire if additional funding would be available for cost overruns. It was indicated that if funds were available for cost overruns that the Municipality could apply for additional funding. At that time, it was not indicated that funding would not be available for projects that proceeded based on the Class EA preferred option rather than the upgrading two plant alternative.

Iroquois Wastewater Treatment Plant

The Iroquois WWTP was upgraded from a primary level of treatment to one that provides secondary treatment of wastewater. This project was commissioned in 2014 and completed through funding received from the Green Infrastructure Fund. The original core project scope was to upgrade the Iroquois Wastewater Treatment Plant in order to improve the quality of treated municipal effluent discharged into the St. Lawrence River.

The project scope was amended in the "First Amending Agreement" to include a secondary project should there be savings from the core project, described as follows:

“The secondary project consisted of sewer relining and replacement, grouting, sealing and manhole improvements to rehabilitate the sewage collection system. These upgrades will reduce the amount of water inflow/infiltration from entering the sewage collection system.”

Morrisburg Wastewater Treatment Plant

The Canada Ontario Municipal Rural Infrastructure Fund (COMRIF) provided the Municipality with \$13,301,520 in funding to upgrade the Morrisburg Wastewater Treatment Plant. The Municipality, through competitive processes, retained the services of SAI Engineering for project management and the Thompson Rosemount Group for the design and construction supervision of the project.

Williamsburg Wastewater Treatment System

Williamsburg’s sewage lagoon is a Class I wastewater treatment system owned and operated by the Municipality of South Dundas. The system consists of two sewage pumping stations which transport raw sewage along a force main to a two-cell waste stabilization pond with annual discharge to the McMartin Drain.

Proposed Water & Wastewater Rates

Morrisburg and Iroquois

There are approximately 1,386 accounts in Morrisburg and 742 accounts in Iroquois billed through Rideau St. Lawrence Utilities. There are 3 components that make up a water charge for a water account in Morrisburg and Iroquois:

- 1) Flat Rate (Fixed-based on meter size)

Annual Flat Rate Charge	
5/8" & 3/4" - Residential	\$ 399.43
5/8" & 3/4" - Non - Residential	\$ 399.43
1"	\$ 559.20
1.5"	\$ 718.92
2"	\$ 1,158.36
3"	\$ 1,158.36
4"	\$ 1,158.36

- 2) Consumption Charge (\$0.65/m³)
- 3) Water Plant Capital Levy (\$0.75/m³)

Sewer charges are equal to 100% of the water charge (excluding Water Plant Capital Levy) for Iroquois accounts and 75% of the water charge for Morrisburg accounts.

Staff are proposing the following rate increases:

- 1) 2% increase per year for the next 4 years to the Flat Rate charge.
- 2) \$0.05/m³ increase to Consumption Charge (to be reviewed every year)
- 3) \$0.05/m³ increase to Water Plant Capital Levy (to be reviewed every year).

Williamsburg

There are 284 units connected to the Williamsburg wastewater system. These customers are billed annually through their property tax bills issued by the Municipality. Currently, users pay \$165.00 per unit annually for this service. Staff are proposing a \$10.00/unit increase for the 2019 year.

Morrisburg - Iroquois Water

Flat Rate

Meter Size		Current 2018 Flat Rate	Proposed 2019 Flat Rate (eff. July 1/19)	\$ Increase	% Increase
5/8"-3/4"	Annual	\$399.43	\$407.41	\$7.98	2%
5/8"-3/4"	Monthly	\$33.28	\$33.95	\$0.67	2%
5/8"-3/4"	Bi-monthly	\$66.57	\$67.90	\$1.33	2%
1"	Annual	\$559.20	\$570.38	\$11.18	2%
1"	Monthly	\$46.60	\$47.53	\$0.93	2%
1"	Bi-monthly	\$93.20	\$95.06	\$1.86	2%
1.5"	Annual	\$718.92	\$733.29	\$14.37	2%
1.5"	Monthly	\$59.91	\$61.10	\$1.19	2%
1.5"	Bi-monthly	\$119.82	\$122.21	\$2.39	2%
2"-4"	Annual	\$1,158.36	\$1,181.52	\$23.16	2%

2"-4"	Monthly	\$96.53	\$98.46	\$1.93	2%
2"-4"	Bi-monthly	\$193.06	\$196.92	\$3.86	2%

Consumption Rate

Current 2018 Consumption Rate	Proposed 2019 Consumption Rate (eff. July 1/19)	\$ Increase	% Increase
\$0.65/m3	\$0.70/m3	\$0.05/m3	7.7%

Water Plant Levy

Current 2018 Consumption Rate	Proposed 2019 Consumption Rate (eff. July 1/19)	\$ Increase	% Increase
\$0.75/m3	\$0.80/m3	\$0.05/m3	6.67%

The Water Plant levy is used to fund, in part, the debt charges for the Water Treatment Plant. In present and past budgets the deficit between the WP Levy and the debt charges was funded by the residual OSTAR funds (2018 - \$48,779). However, those funds will be completely depleted in 2020, and some measure of mitigation would be necessary at that time.

Of the three charges that are billed through Rideau St. Lawrence, the Water Plant Levy is not subject to the Iroquois or Morrisburg wastewater surcharge.

All of above proposed rates would be effective as of July 1, 2019, if approved, and would be reflected on the first billing notice after a July 1 meter reading.

Upfront Charge/service connection

Current 2018 Upfront Charge	Proposed 2019 Upfront Charge	\$ Increase	% Increase
\$3,000 ea	\$5,000 ea	\$2,000 ea	66.66%

There is a Municipal self funded debt (2018 - \$1,169,000) for extra capacity that was built into the water plant. The debt repayment is \$30,000 per year based on 2018 fee of \$3,000 for 10 new connections. That \$30,000 figure has been met or surpassed seven times in the past 11 years.

The bylaw to change the Upfront Charge/service connection and Consumption Charge/User will be presented at the same meeting as the water & wastewater budget by-law and would become effective at the date of adoption.

Rationale

State of Water Related Reserve/Reserve Funds (Unaudited), as of the year ended December 31, 2018:

SD Infrastructure Shares – Rideau St Lawrence (\$938,352 represents the equity in RSL)	\$2,406,371.84
Water Rate Stabilization Reserve Fund	\$ 115,843.72
SD Water Reserves (\$150,000 marked for Zenon filters)	\$ 313,293.36

The balance in the South Dundas Water Reserve is sufficient to fund the 2019 water capital program.

The 2019 draft budget proposes Transfers to Reserves of \$35,000 for the future replacement of the carbon tanks and pumps, as well as maintaining the \$50,000 transfer for the Zenon cartridge replacement.

The current state of the reserve/reserve funds are insufficient to fund future failures and/or system renewal.

The impending replacement of the water towers and the Ontario Street reconstruction are examples of the types of projects on the horizon.

Morrisburg Wastewater

No change is proposed to the Morrisburg wastewater surcharge of 75% of applicable water charges. There will be an increase in revenue resulting in the proposed increases to water rates.

Current 2018 Upfront Charge	Proposed 2019 Upfront Charge	\$ Increase
\$0 ea	\$5,000 ea	\$5,000 ea

Rationale

State of Morrisburg Wastewater related Reserve/Reserve Funds (Unaudited), as of the year ended December 31, 2018:

Morrisburg Sewer Reserves	\$628,255.50
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The imposition of the Upfront Charge will require new connections to buy into the equity of the existing wastewater system and contribute to future replacement or expansion.

The 2019 budget includes a Transfer to Reserve of \$60,000 including \$25,000 to finance a program for pump replacement.

A Transfer from Reserve of \$285,930 is budgeted to fund, in part, the \$346,938 Ontario Street wastewater reconstruction. The cost of this reconstruction may be indicative of future replacement or upgrades.

Iroquois Wastewater

No change is proposed to the Iroquois wastewater surcharge of 100% of applicable water charges. There will be an increase in revenue resulting in the proposed increases to water rates.

Current 2018 Upfront Charge	Proposed 2019 Upfront Charge	\$ Increase
\$0 ea	\$5,000 ea	\$5,000 ea

Rationale

State of Iroquois Wastewater related Reserve/Reserve Funds (Unaudited), as of the year ended December 31, 2018:

Iroquois Sewer Reserve Funds	\$333,826.25
Iroquois Sewer Reserves	\$196,256.35

The imposition of the Upfront Charge will require new connections to buy into the equity of the wastewater system and contribute to future replacement or expansion.

The 2019 budget includes a Transfer to Reserve of \$27,279. There are no capital works proposed.

Williamsburg Wastewater

	Current 2018 Rate per unit	Proposed 2019 Rate per unit	\$ Increase	% Increase
Annual	\$165.00	\$175.00	\$10.00	6%

Monthly	\$13.75	\$14.58	\$0.83	6%
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The proposed rate would be effective for all of 2019 and would be reflected on the June 2019 tax bill.

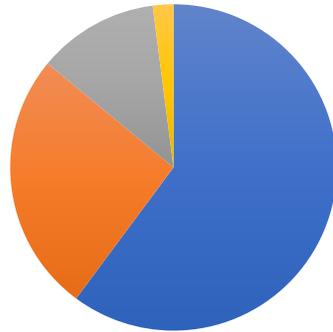
Rationale

For the year ended December 31, 2018 the unaudited balance in the Williamsburg Sewer Reserve Fund is \$75,341. The 2019 draft budget proposes a \$6,213 transfer to the Reserve Fund.

For future replacement, potential failures or to fund major maintenance annual transfers to the Reserve Fund should be maintained.

In 2014 a transfer of \$82,944 was required to fund capital purchases and repairs, other similar needs would completely deplete the Reserve Fund.

2019 Water & Wastewater Budget by Service



■ Water ■ Morrisburg Sewer ■ Iroquois Sewer ■ Williamsburg Sewer

Water Consumption, Debt Charges & Revenue

