



2019

Water and Sanitary Sewer Long Term Financial Plan Updates

February 5, 2019



2019 Water Long Term Financial Plan Update

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Water Long Term Financial Plan (LTFP)

Background:

- Building on the Aquifer Mapping Study, we enlisted the support of consulting firm Econics to conduct an extensive water rate review and;
- develop a long term financial plan for the Water Fund.

Challenges at the time:

- Underfunded water system
- Declining reserves
- Rate stabilization requirement as water use per capita declined
- The need to raise awareness of the cost to sustainably operate and maintain a water system

Water Long Term Financial Plan (LTFP)

Progress to date:

- Extensive review of rate structure, equity among customer categories, asset inventory and funding requirements
- 2013-2018 implemented overall annual rate increases of ~ 10% - 15% per year, supported by regular communication to users
- No longer in a deficit position, reducing our reliance on the Gas Tax funding and beginning to build reserves
- Annual use of the WaterWorth program to ensure we continue to be on track

Water Long Term Financial Plan (LTFP)

Goal:

- To achieve a self-sustaining water fund with sufficient reserves to address short and long term operational and capital requirements
- Reserves targets:
 - Operational Reserve with contingency: 30% of annual O&M expenses
 - Rate Stabilization: 10% of sale of annual parcel taxes & user fees
 - Capital Reserve: 3% of Total asset replacement value

Water LTFP Significant Items

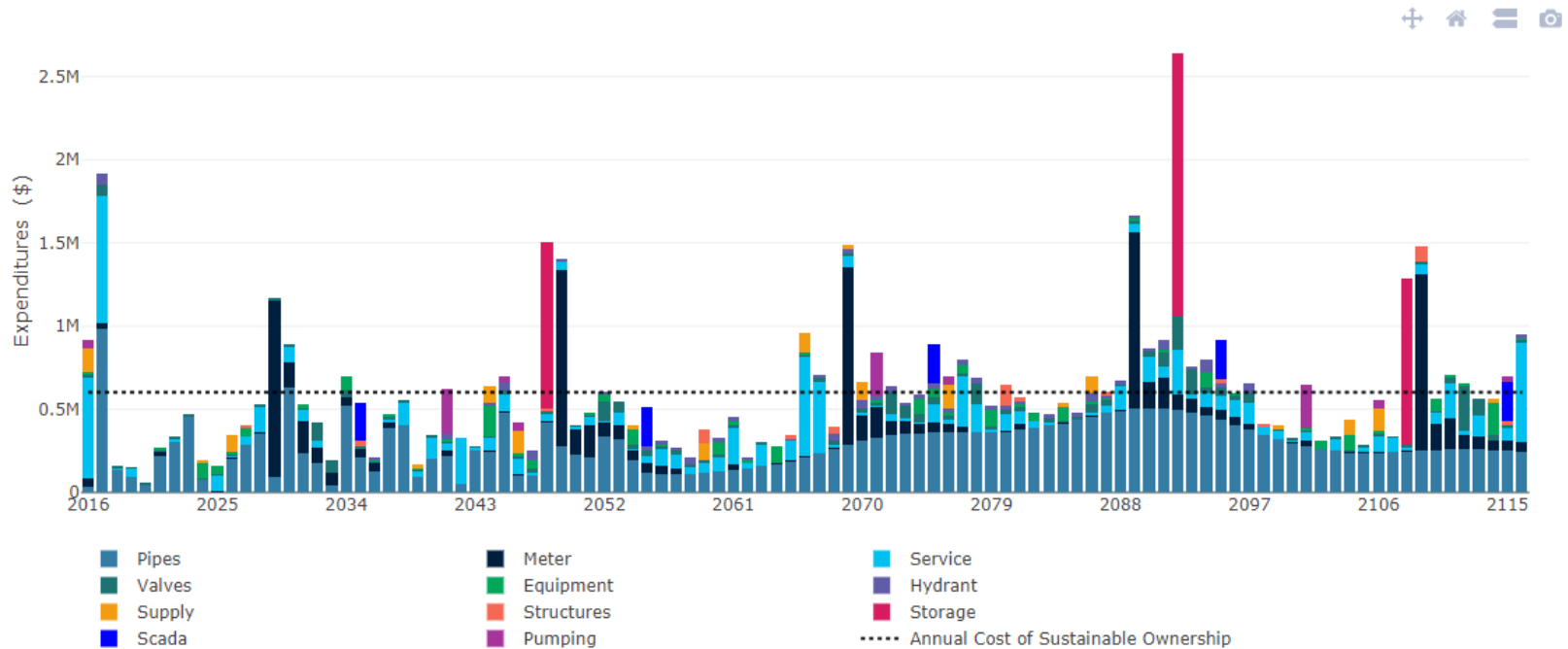
O&M Expenses:

- Based on 2018 Budget
- Annual Inflation Rate of 2% (with exception of 4% for electricity costs)
- Zone 3 changes
 - Phased in reduction of water purchase costs & associated increase to water pumping costs

Capital Costs:

- 2019-2023 based on 2018 Five Year Financial Plan
 - with updated costs relating to Zone 3 project reflected in 2019.
- 2024 onward, based on Annual Cost for Asset Replacement
 - 100 year average of ~ \$600,000 per year.

Water Asset Replacement Schedule



Water LTFP Significant Items cont'd

Funding Sources:

- Parcel Tax and User Fees
- Gas Tax funding
 - Reducing reliance on this grant to \$0 by 2021
 - Funds then available for other projects e.g. road rehabilitation
- Development Cost Charges - \$25,000 per year
 - actual amounts received in future will be incorporated into LTFP
- Proposed Borrowing - for Zone 3 project
 - Pump Station & Well Pump (\$1.44 M)
 - Reed Road Watermain Replacement (\$1 M)

Water LTFP Significant Items cont'd

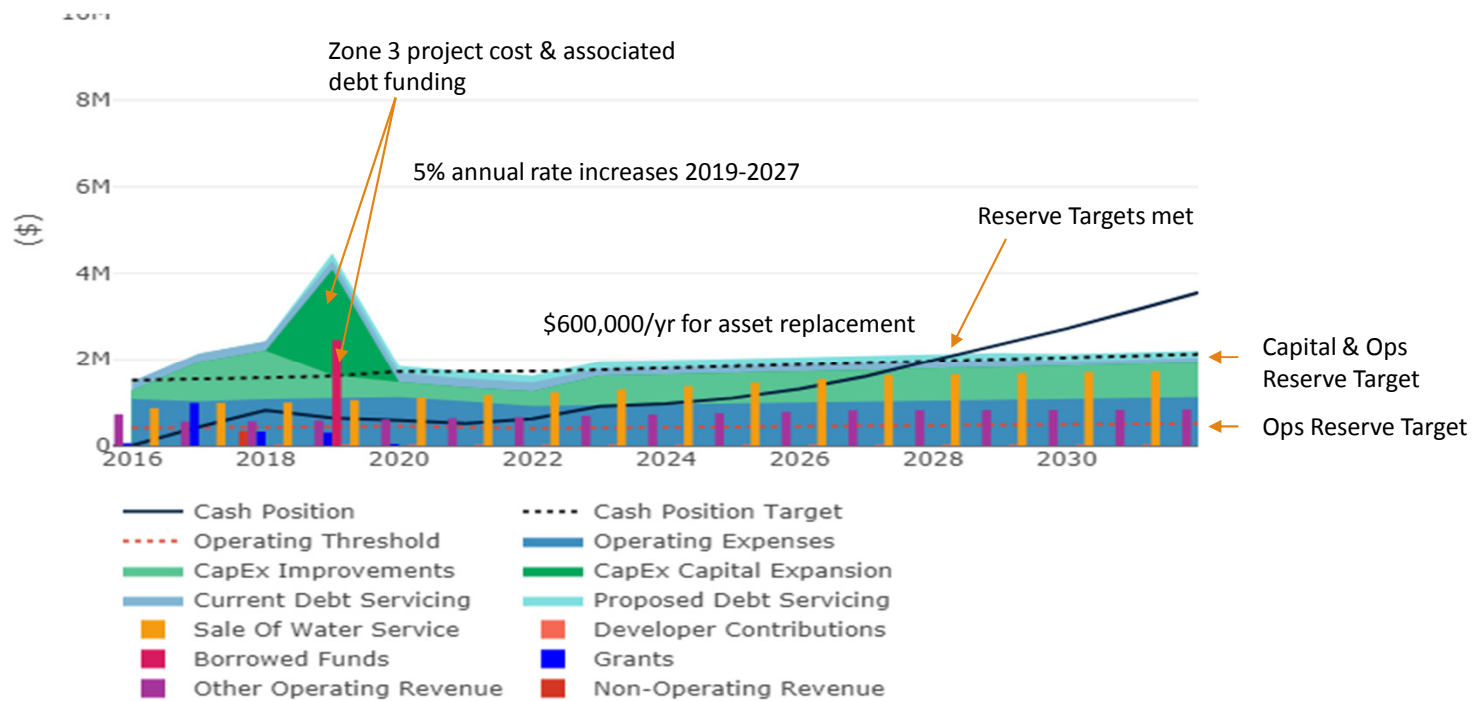
Goal:

- To achieve a self-sustaining water fund with sufficient reserves to address short and long term operational and capital requirements

Proposed Rate Increases:

- Proposed Parcel Tax and User Fee Rate Increases of 5% for 2019
 - 2% cost of living
 - 3% asset replacement/renewal/long term sustainability
- Continue with an overall revenue increase of 5% each year until 2027 (reserve targets met)

Water Long Term Financial Plan





2019 Sanitary Sewer Long Term Financial Plan Update

February 5, 2019

Sanitary Sewer Long Term Financial Plan (LFTP)

Background:

- Based on the approach used for the Water fund, we enlisted the support of a consulting firm Econics to assist with developing a LFTP for the Sewer Fund.

Challenges at the time:

- Underfunded sanitary sewer system
- Limited reserves
- The need to raise awareness of the cost to sustainably operate and maintain a sanitary sewer system

Sanitary Sewer Long Term Financial Plan (LFTP)

Progress to date:

- Review of funding sources, costs, asset inventory and funding requirements
- 2014-2018 annual rate increases of ~ 5% - 9% supported by regular communication to users
- Beginning to build reserves
- Continued use of the WaterWorth program to ensure we stay on track

Sewer Long Term Financial Plan (LTFP)

Goal:

- To achieve a self-sustaining sewer fund with sufficient reserves to address short and long term operational and capital requirements
- Reserves targets:
 - Operational Reserve with contingency: 30% of annual O&M expenses
 - Rate Stabilization: 5% of sale of annual parcel taxes & user fees
 - Capital Reserve: 3% of Total asset replacement value

Sewer LTFP Significant Items

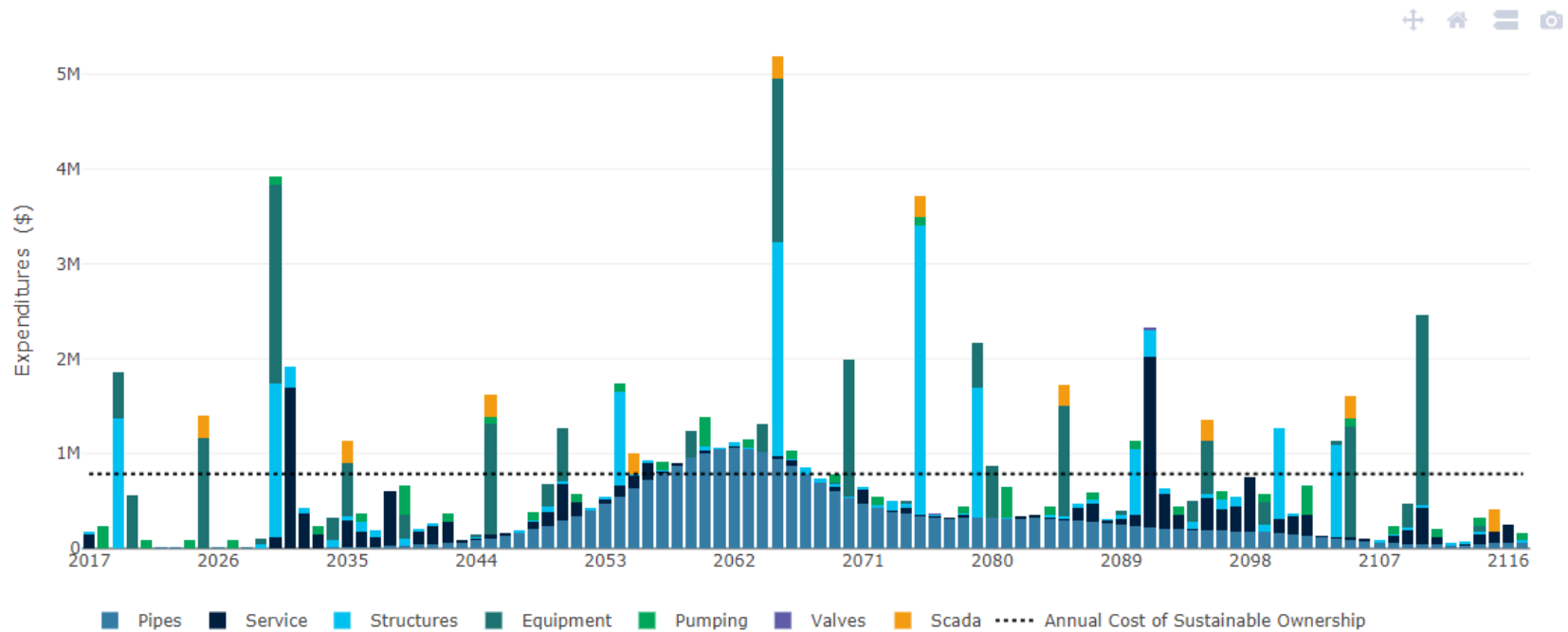
O&M Expenses:

- Based on 2018 Budget
- Annual Inflation Rate of 2% (with exception of 4% for electricity costs)

Capital Costs:

- 2019-2023 based on 2018 Five Year Financial Plan
 - with updated costs relating to Prowse Road Lift Station Upgrades reflected in 2019.
- 2024 onward, based on Annual Cost for Asset Replacement
 - 100 year average of ~ \$785,000 per year.

Sewer Asset Replacement Schedule



Sewer LTFP Significant Items cont'd

Funding Sources:

- Parcel Tax and User Fees
- Development Cost Charges - \$25,000 per year
 - actual amounts received in future will be incorporated into LTFP
- Proposed Borrowing – for Prowse Road Lift Station Upgrade - \$1.73 Million

Sewer LTFP Significant Items cont'd

Goal:

- To achieve a self-sustaining sewer fund with sufficient reserves to address short and long term operational and capital requirements

Proposed Rate Increases:

- Proposed Parcel Tax and User Fee Rate Increases of 5% for 2019
 - 2% cost of living
 - 3% asset replacement/renewal/long term sustainability
- Continue with an overall revenue increase of 5% each year until 2029 (or until reserve targets met)

Sanitary Sewer Long Term Financial Plan

