



STAFF REPORT

TO: Committee of the Whole

MEETING DATE: January 22, 2020

FROM: Lorraine Coughlin
Director of Finance

FILE NO: 1750.02.20

SUBJECT: 2020 Preliminary Sewer Operating Budget

RECOMMENDATIONS

THAT the report titled 2020 Preliminary Sewer Operating Budget be received for review.

BACKGROUND / PURPOSE

The purpose of this report is to provide the 2020 preliminary sewer operating budget for the Committee's review.

DISCUSSION:

System Overview:

The Town of Gibsons' Sanitary Sewer Collection & Treatment System is comprised of:

- Wastewater Treatment Plant (WWTP)
- Treated sewage ocean outfall
- Prowse Road Lift Station
- 37 km collection pipes, including gravity and force mains
- 500 manholes
- Approximately 1,700 service connections

Financial Summary:

Revenue:

Total revenue is budgeted to be \$1,711,078. This is an overall increase of \$144,972 to operating revenues as compared to the 2019 budget. There are two components to this increase.

Number of users:

This increase reflects additional taxes/user fees as more properties are connected to the system throughout the year.

Rate Increases:

This budget also incorporates a recommended overall 5% increase to parcel taxes and user fees. This proposed rate increase supports the goal of the long-term financial plan which is to achieve a self-sustaining sewer fund with sufficient reserves to address short and long term operational and capital requirements.

This increase is comprised of two components:

- 2% cost of living
- 3% asset replacement/renewal/long term sustainability

Note: an overall 1% increase generates approximately \$16,500 in revenue for the sanitary utility.

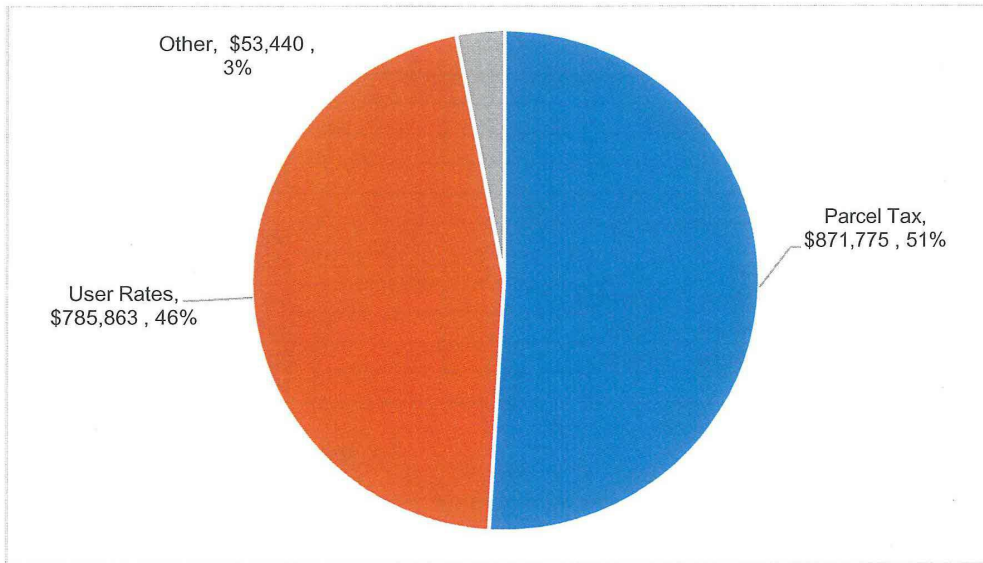
Expenses:

Total operating expenses are budgeted to be \$1,490,615. This is an overall increase of \$196,462 to operating expenses as compared to the 2019 budget.

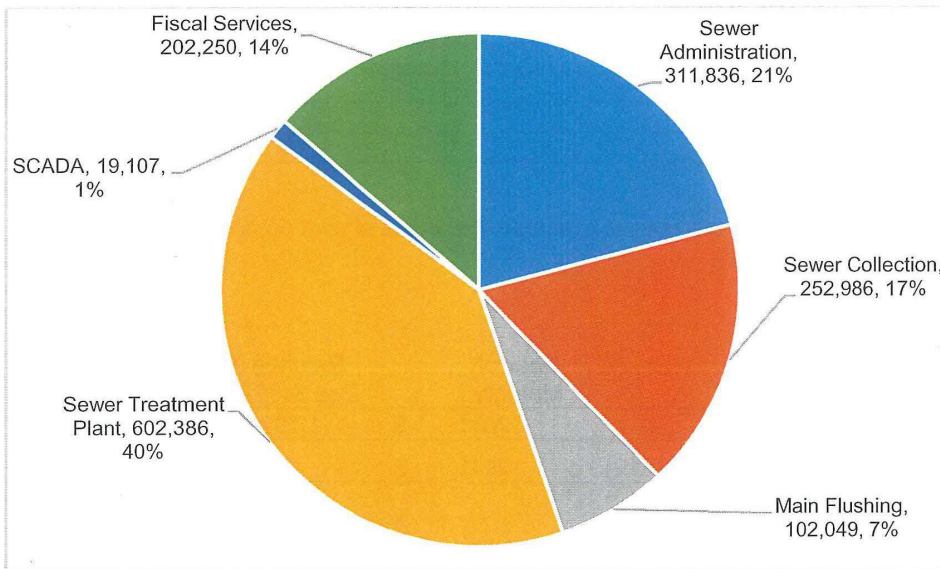
- **Staff training:** This budget reflects the importance of supporting staff training and proposes training expenses in the amount of \$30,801. This is largely to provide appropriate training for the Public Works team and is an increase of approx. \$18,000 over the 2019 budget. This renewed investment in our staff will ensure that they have the necessary training to do their jobs safely and effectively. We propose that this increased training funding continue for future years.
- **Sewer main flushing:** a \$20,000 increase has been incorporated into the budget to ensure we have sufficient funds to cover the annual flushing program and additional smoke testing work that is planned.
- **WWTP Repairs & Maintenance:** this budget reflects a \$60,000 increase to the budget for WWTP repairs and maintenance. Three significant items in this line item are:
 - \$20,000 for the centrifuge refurbishment;
 - \$20,000 to replace a damaged spare pump and;
 - \$12,000 to replace a failed exhaust fan in the Headworks building.All expenditures are necessary costs associated with daily operation at the WWTP.
- **Fiscal Services:**
 - In 2019, Council approved \$1.76M new debt to fund the Prowse Road Lift station upgrade. This budget includes the estimated annual interest costs associated with this debt (\$46,384). Principal payments of \$89,000 are expected to begin in 2021 and will be incorporated into the 5-year financial plan.

Overall, total revenues are budgeted as \$1,711,078 while operating expenses total \$1,490,615 for a net surplus of \$220,464. This surplus will be used to fund the current year capital expenditure program.

Revenue:



Expenditures:



Funding Source Balances*:

Reserve Funds:	Balance as of Dec 31, 2018*
General Capital Reserve Funds	\$46,149
Machinery and Equipment Reserve	306,449
Community Works Fund	333,556
Public Parking	120,164
Park Acquisition	29,389
Affordable Housing	585,863
Community Amenity Reserve	124,151
Reserve for Future Expenditure – General	540,770
Reserve for Future Expenditure – Water	255,650
Reserve for Future Expenditure – Sewer	355,774
Held in Trust Muriel Haynes	199,794

Surplus (Operating Reserves):	Balance as of Dec 31, 2018*
General Operating Fund	\$427,231
Water Operating Fund	242,129
Sewer Operating Fund	769,480

Development Cost Charges:	Balance as of Dec 31, 2018*
DCC – Roads (Gospel Rock)	-
DCC – Roads	\$316,103
DCC – Drainage	474,044
DCC – Water	91
DCC – Sewer	308,317

* Note: 2019 year-end balances are not yet available. Balances shown do not reflect additions or withdrawals made during 2019.

Debt Balances*

Sewer Debt	Year of Maturity	Balance as of Dec 31, 2018**
MFA-97**	2031	\$ 1,192,381**
Prowse Rd Lift Station (approved in 2019)	2041	\$ 1,760,000
Total Sewer Debt		\$ 2,952,381

POLICY / PLAN IMPLICATIONS

Strategic Plan Implications

The 2020 Preliminary Sewer Operating Budget is aligned with the core objectives of:

Manage our Assets

- “We will focus on fiscal sustainability and support our staff in the prudent management of our natural and engineered assets, to ensure the Town can continue to deliver critical infrastructure services in perpetuity.”

The Town’s asset management process formalizes and documents operational and maintenance procedures and provides valuable reference materials for staff. Management have had an increased focus over the last few years in examining opportunities for staffing efficiencies and providing relevant staff with the appropriate training to ensure that the Town’s sanitary system is operated as efficiently as it can. For examples, the WWTP now has a Level 3 operator which is consistent with the complexity of the plant; significant maintenance procedures are now on a regular schedule such as the planned replacement of the diffusers in the second WWTP tank in 2020; and all of the Public Works team have received training in entering confined spaces.

Plan for Sustainable Growth

- “We will plan for the future in a manner that reflects our finite resources.”

New infrastructure always considers the future growth in the Town that is anticipated to occur within the life cycle of a given asset.

Respond to the Changing Climate

- “We will apply a climate lens to the planning and development of actions, plans, policies and infrastructure projects.”
- “We will adapt Town infrastructure to increase its resiliency to the local impacts and risks from climate change.”

Staff considers the carbon footprint of products and services in determining what is appropriate for the Town.

Capital and operational plans are put forward by staff considering the potential impacts from a changing climate. For an example, annual flushing, videoing, and smoke testing shows where pipes need to be repaired to prevent stormwater from entering the sanitary system. These additional flows result in increased treatment at the WWTP as well as reducing the available capacity at the plant. This issue becomes more significant with increases in storm events from a changing climate.

Financial Plan Implications

The proposed budget follows the long-term financial plan developed for the sewer fund. The finalized budget for the sewer fund will be incorporated into the Town’s 5 Year Financial Plan.

COMMUNICATION:

The rationale and communication for the recommended rate increases has been consistent for the past several years. Information regarding the 2020 Sewer Fund Budget will be included in the brochure that is mailed to property owners with the spring utility bill. Information will also be included in the Budget Open House which will take place in mid-late April.

RECOMMENDATIONS / ALTERNATIVES

The 2020 preliminary sewer operating budget is provided for review. It is the recommendation of staff that Council support the revenue and expense increases as proposed.

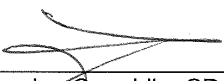
NEXT STEPS:

A draft motion to authorize the proposed 5% increase to the sewer parcel tax and user fees will be brought to Council in late February. Based on the direction given at that time, staff will bring an amendment to Rates, Fees and Charges Bylaw 1196 to the March 3rd Council meeting for three readings, with adoption scheduled for March 17th. This will ensure that the new rates are in place prior to the start of the next utility billing cycle. The Sewer Parcel Tax Bylaw will be brought to Council in April, along with the Annual Tax Rates Bylaw.

Attachments

- 2020 Preliminary Sewer Operating Budget

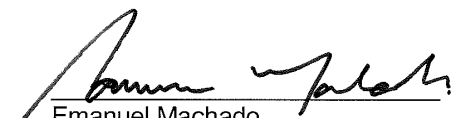
Respectfully Submitted,



Lorraine Coughlin, CPA, CGA
Director of Finance

CHIEF ADMINISTRATIVE OFFICER'S COMMENTS:

I have reviewed the report and support the recommendation(s).



Emanuel Machado
Chief Administrative Officer

Sewer Fund
2020 Base Budget

Account Number	Description	Audited Actual 2018	Final Budget 2019	Prelim Budget 2020	% Change Budget 20 vs 19	Prelim Budget 2021	% Change Budget 21 vs 20
REVENUE							
1.9200.132	Parcel Tax	770,814	811,879	871,775	7.4%	916,081	5.1%
1.9200.192	User Rates	708,888	730,527	785,863	7.6%	825,156	5.0%
1.9200.474	Connection Fees	19,490	21,000	13,840	-34.1%	14,828	7.1%
1.9200.479	Other Sales	0	500	0	-100.0%	0	N/A
1.9200.480	Other Receoveries	0	0	20,000	N/A	20,000	0.0%
1.9200.513	Interest on Utilities	4,002	4,000	4,000	0.0%	4,000	0.0%
1.9200.571	Interest Income - Sewer	17,598	0	15,000	N/A	15,000	0.0%
1.9200.574	Interest on MFA Deposits	599	1,200	600	-50.0%	600	0.0%
1.9200.595	Donations (Sewer)	0	0	0	N/A	0	N/A
1.9200.831	Grant in lieu	0	0	0	N/A	0	N/A
1.9200.832	Provincial Grants	0	0	0	N/A	0	N/A
1.9200.833	Transfer from Reserve	0	0	0	N/A	0	N/A
1.9200.840	Transfers from RFFE	0	0	0	N/A	0	N/A
1.9200.860	MFA Actuarial Revenue - Sewer	0	0	0	N/A	0	N/A
1.9800.832	Provincial Grant - Capital	0	0	0	N/A	0	N/A
1.9800.834	Federal Grant - Capital	0	0	0	N/A	0	N/A
1.9800.840	Transfer from RFFE	0	0	0	N/A	0	N/A
1.9800.841	Transfer from Gas Tax Reserve	0	0	0	N/A	0	N/A
1.9800.842	Transfer from Infrastructure Reserve	0	0	0	N/A	0	N/A
1.9800.998	Debt Financing - Capital	0	0	0	N/A	0	N/A
1.9800.999	DCC Funding - Capital	0	0	0	N/A	0	N/A
1.9810.099	Developer in-kind contribution	0	0	0	N/A	0	N/A
1.9810.100	Capital Donations - Sewer	0	0	0	N/A	0	N/A
1.9810.101	Transfer from Ops - water	0	0	0	N/A	0	N/A
	Total Revenue	1,521,391	1,569,106	1,711,078	9.0%	1,795,665	4.9%
EXPENDITURE							
Sewer Administration							
2.9202.110	Administration Charge	246,000	246,000	273,086	11.0%	273,086	0.0%
2.9202.217	Training/Fees& Travel	5,464	2,800	15,100	439.3%	15,550	3.0%
2.9202.218	OIT Ticket Premium	9,100	15,000	9,750	-35.0%	9,750	0.0%
2.9202.233	Engineering Fees	2,463	15,000	3,700	-75.3%	3,700	0.0%
2.9202.271	Licenses & Permits	1,734	1,900	1,800	-5.3%	1,800	0.0%
2.9202.274	Insurance	7,774	7,900	8,400	6.3%	9,000	7.1%
2.9202.700	Admin Projects	8,390	0	0	N/A	0	N/A
	Total Sewer Administration	280,925	288,600	311,836	8.1%	312,886	0.3%
Sewer Collection							
2.9210.121	Hourly Wages	122,992	126,297	109,119	-13.6%	111,301	2.0%
2.9210.122	Training Wages	0	3,268	9,102	178.5%	9,284	2.0%
2.9210.140	Benefits	32,641	42,109	38,422	-8.8%	39,190	2.0%
2.9210.213	Vehicle Charge Back	21,480	22,320	27,283	22.2%	27,829	2.0%
2.9210.254	Repairs & Maintenance	23,613	27,000	44,100	63.3%	44,100	0.0%
2.9210.276	Alarm Monitoring	2,744	2,400	2,520	5.0%	2,650	5.2%
2.9210.512	Materials & Supplies	4,292	3,500	3,675	5.0%	3,875	5.4%
2.9210.594	Electricity	17,191	16,800	18,765	11.7%	19,700	5.0%
2.9210.700	Sew Coll Projects	12,646	0	0	N/A	0	N/A
	Total Sewer Collection	237,599	243,694	252,986	3.8%	257,929	2.0%

Sewer Fund
2020 Base Budget

Account Number	Description	Audited Actual 2018	Final Budget 2019	Prelim Budget 2020	% Change Budget 20 vs 19	Prelim Budget 2021	% Change Budget 21 vs 20
Main Flushing							
2.92.12.121	Hourly Wages	0	9,122	4,821	-47.1%	4,917	2.0%
2.92.12.140	Benefits	0	2,965	1,567	-47.2%	1,598	2.0%
2.92.12.213	Vehicle Charge Back	0	1,100	1,661	51.0%	1,678	1.0%
2.92.12.254	Repairs & Maintenance	0	0	0	N/A	0	N/A
2.92.12.512	Materials & Supplies	0	0	0	N/A	0	N/A
2.92.12.526	Contracted Services	0	75,000	94,000	25.3%	97,000	3.2%
2.92.12.700	Main Flushing Projects	0	0	0	N/A	0	N/A
	Total Distribution	0	88,187	102,049	15.7%	105,193	3.1%
Sewer Treatment Plant							
2.9262.121	Hourly Wages	123,208	143,051	132,573	-7.3%	135,224	2.0%
2.9262.122	Training Wages	0	6,288	6,599	4.9%	6,731	2.0%
2.9262.140	Benefits	31,603	48,535	45,231	-6.8%	46,135	2.0%
2.9262.213	Vehicle Charge Back	11,463	15,337	18,834	22.8%	19,211	2.0%
2.9262.217	Telephone & Cable	4,729	4,800	4,800	0.0%	4,800	0.0%
2.9262.254	Repairs & Maintenance	117,240	60,000	120,000	100.0%	79,000	-34.2%
2.9262.255	Water Effluent Monitoring	5,017	2,000	6,400	220.0%	6,720	5.0%
2.9262.276	Alarm Monitoring	915	1,000	950	-5.0%	1,700	78.9%
2.9262.412	Sludge Disposal	232,148	130,000	136,740	5.2%	140,870	3.0%
2.9262.512	Materials & Supplies	58,367	16,000	18,500	15.6%	19,425	5.0%
2.9262.524	Small Tools & Supplies	1,100	750	860	14.7%	900	4.7%
2.9262.531	Chemicals		40,000	55,250	38.1%	67,000	21.3%
2.9262.593	Heating Fuel (Gas)	798	1,300	1,050	-19.2%	1,100	4.8%
2.9262.594	Electricity	44,772	47,000	54,600	16.2%	55,700	2.0%
2.9262.700	WWTP Projects	0	0	0	N/A	0	N/A
	Total Sewer Treatment Plant	631,359	516,061	602,386	16.7%	584,516	-3.0%
SCADA							
2.92.64.121	Hourly Wages	0	5,619	3,263	-41.9%	3,329	2.0%
2.92.64.140	Benefits	0	1,826	1,060	-41.9%	1,082	2.0%
2.92.64.213	Vehicle Charge Back	0	600	624	4.0%	630	1.0%
2.92.64.254	Repairs & Maintenance	0	2,100	2,100	0.0%	2,100	0.0%
2.92.64.512	Materials & Supplies	0	0	0	N/A	-	N/A
2.92.64.526	Contracted Services	0	11,600	12,060	4.0%	12,700	5.3%
2.92.64.700	SCADA Projects	0	0	0	N/A	-	N/A
	Total Sewer Collection	0	21,745	19,107	-1	19,841	1
Fiscal Services							
2.9280.851	MFA Debt - Interest #97	90,473	90,473	90,473	0.0%	90,473	0.0%
2.9280.852	MFA Debt - Principal #97	44,792	44,793	44,793	0.0%	44,793	0.0%
2.9280.854	MFA Debt Reserve Expense	599	600	600	0.0%	800	33.3%
2.9280.841	Prowse Rd Lift Stn Debt-Interest	0	0	46,384	N/A	46,384	0.0%
2.9280.842	Prowse Rd Lift Stn Debt-Principal	0	0	0	N/A	89,200	N/A
2.9280.774	Trnsf to Future Ops Reserve	0		20,000	N/A	20,000	0.0%
2.9280.991	Contribution To(From) Surplus	0	0	0	N/A	0	N/A
2.9291.100	Capital Expenditure Program	0		0	N/A	0	N/A
	Total Fiscal Services	135,864	135,866	202,250	48.9%	291,650	44.2%
	Total Expenditures	1,285,746	1,294,153	1,490,615	15.2%	1,572,015	5.5%
	SURPLUS/(DEFICIT)	235,645	274,953	220,464		223,650	