Claresholm

Where **Community** Takes Root

2019 Budget & Water & Sewer Utility Bylaw – Ensuring a Sustainable Future

2019 Budget – Capital Projects
-Ensuring A Sustainable Future-

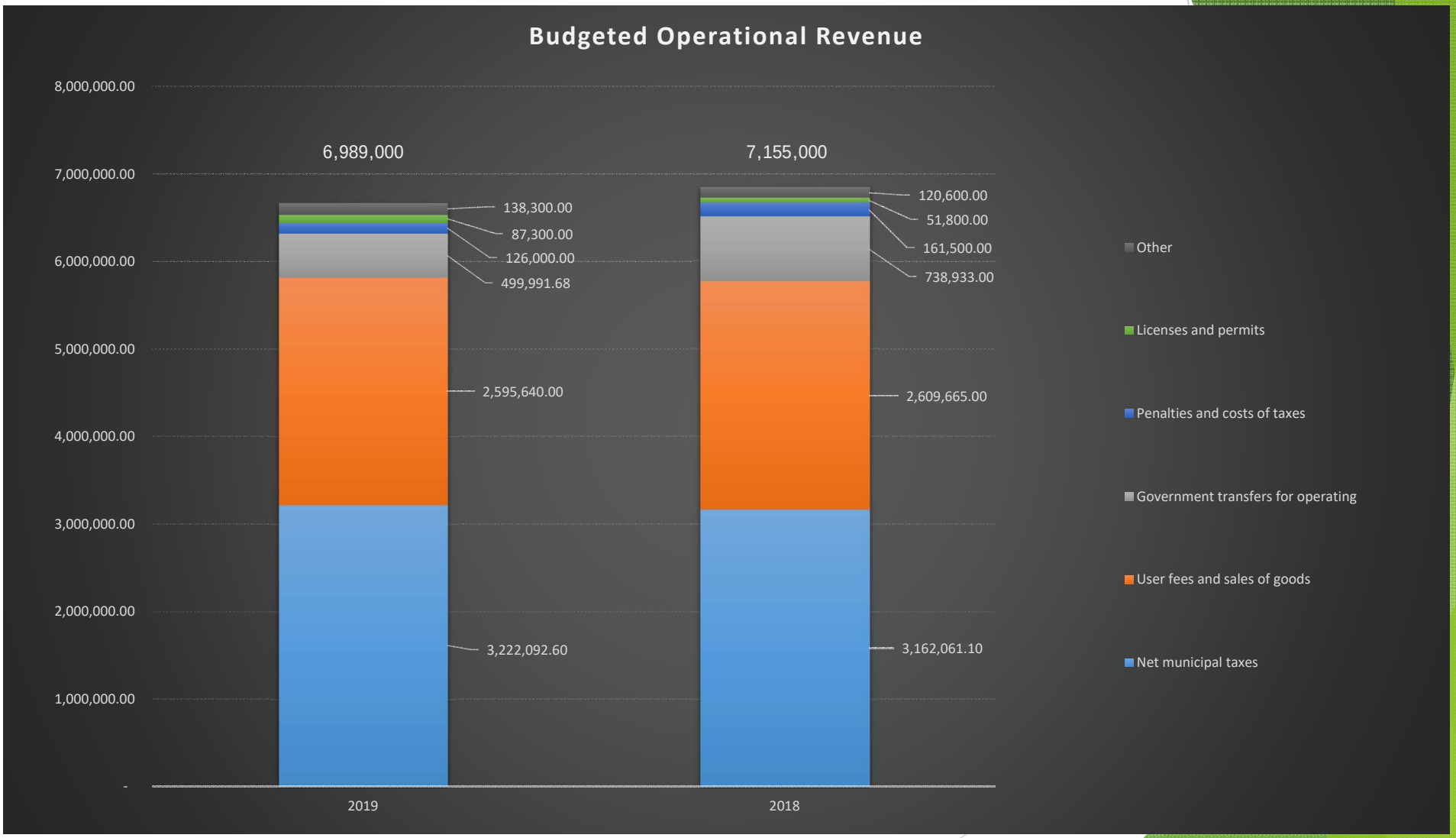
- Continue Storm Water Projects – Approximately $400K carryforward from the 2018 budget into 2019 for Phase 1 Completion – Fully grant funded (Alberta Community Resilience Program (ACRP)/Municipal Sustainability Initiative (MSI)).
- Storm Water Projects – Phase 2 – 1.5M fully grant funded – will only proceed if successful in receiving ACRP grant for the project.
- 3.8M for Multi-use Community Building – 2.8M Debt funded, 1M grant & reserve funded.
- Road repaving and sewer-line replacement – Upkeep degrading roads
- Continue pathways (8th St West – Westlynn Dr to Cemetery) - $150K
- Gravel truck replacement – to continue to provide efficient and effective service including summer construction and winter snow clearing.

Total Capital Expenditures of $6.6M. $3.2M Grant Funded, $2.8M debt funded, $528K reserve funded, with only 11.5K being tax funded.

2019 Budget – Operating Projects -Growth & Sustainability

- Significant new street lighting to be installed around Town, primarily on the outskirts of Town (8th St W, 5th St E, 59th Ave W) as well as other dark areas (4th St W, 2 St E, etc). This is primarily funded by Fortis.
- Full-time Fire Chief and Part-time Emergency Management & Safety Officer positions created to meet enhanced provincial requirements and to better serve our community.
- Continued Economic Development projects such as wayfinding signage on the highway
- Continued intermunicipal plans and planning underway (Intermunicipal Collaboration Framework (ICF) & Intermunicipal Development Plan (IDP)) with MGA changes. These projects are largely grant funded.
- Technology and system advancements for a more efficient administration.
  - Continued focus on encouraging e-statements/notices with e-tax notices starting in 2019.
  - New electronic file archival and workflow software/systems to reduce use and storage of paper also enabling significantly faster and more efficient retrieval of documents.
  - To aid with this process, a temporary, part-time, position was added to scan and archive paper files electronically.


Budgeted Expenses (2019 vs 2018)
9,000,000.00
8,000,000.00
7,000,000.00
6,000,000.00
5,000,000.00
4,000,000.00
3,000,000.00
2,000,000.00
1,000,000.00
-
8,300,000
8,535,000
379,430.10
964,715.23
197,845.01
192,658.27
304,651.57
570,480.83
534,121.18
1,715,999.55
205,880.59
1,453,748.66
296,628.95
1,370,606.90
113,500.00
388,417.07
991,753.44
182,764.24
345,110.20
333,168.76
556,498.13
523,994.93
1,639,566.69
252,705.34
1,424,816.30
484,826.33
1,303,084.34
108,750.00
2019
2018
Culture - library & museum
Parks and recreation
Subdivision land and development
Economic development
Community services
Solid waste management
Wastewater treatment and disposal
Water supply and distribution
Storm sewers and drainage
Public services
Public safety
Administration
Legislative


Budgeted Operational Revenue
8,000,000.00
7,000,000.00
6,000,000.00
5,000,000.00
4,000,000.00
3,000,000.00
2,000,000.00
1,000,000.00
-
6,989,000
7,155,000
138,300.00
87,300.00
126,000.00
499,991.68
2,595,640.00
3,222,092.60
120,600.00
51,800.00
161,500.00
738,933.00
2,609,665.00
3,162,061.10
2019
2018
Other
Licenses and permits
Penalties and costs of taxes
Government transfers for operating
User fees and sales of goods
Net municipal taxes

2019 Budget – Revenue

- 2019 Mill rate has not been set yet as 2018 Tax Assessments aren't finalized, however an estimated 2% increase in municipal tax revenue has been budgeted. This doesn't necessarily mean a 2% increase in individuals taxes as this could partially come from development and growth in Town.
- A utility revenue increase has also been budgeted in connection with the proposed new Water & Sewer Utility Bylaw

2019 Budget – More Information

- Full copy available on Town's Website
- http://www.claresholm.ca/government/guiding-documents/budgets#sub

Water & Sewer Utility Bylaw

Summary of Current Costs - Water

- 2018 Costs for Treating and Providing Water:
  - Water Treatment Plant – 520K (5.7% increase since 2014). This includes over 100K for chemicals and 90K for utilities. Other costs include wages, maintenance, and water testing.
  - Transmission & Distribution Costs (T&D) – 213K (28.4% increase since 2014). This includes costs related to repairing and servicing water lines and utility and maintenance costs for pump stations and reservoirs. These increasing costs are an indicator of aging infrastructure requiring more frequent repairs.
  - Debt interest and principal payments related to past capital projects (Pine Coulee Raw Water Line and Water Treatment Plant Upgrade) is 289K per year.
  - This translates to a cost of approximately $\$0.98/m^3$ of treated water, and $\$1.39/m^3$ of water distributed to your homes not including debt payments or capital investment. When you include capital costs as estimated by amortization this increases to over $\$2.00/m^3$
  - In 2018 this only provided approximately 43K net income in water utility to fund future maintenance and capital costs (such as est. 400K cost of replacing water treatment plant membranes every 15-20 years)

Summary of Current Costs - Sewer

- 2018 Costs for Treatment and Conveyance of Sanitary Sewer:
  - Sewage Lagoon Costs – 25K (0.7% increase from 2014 – has ranged from 21K to 35K per year during that period).
  - Conveyance Costs – 84K (33.5% increase since 2014). This includes costs related to repairing and servicing/flushing sewer mains and utility costs for lift stations. These increasing costs are an indicator of aging infrastructure requiring more frequent repairs.
  - Debt interest and principal payments related to past capital projects (Sewer main replacements/upgrades) is 186K per year. In 2018 we borrowed an additional $400K for the sewer trunk/main from the airport to the lagoons which will add another 47K of annual payments starting in 2019.
  - In 2018 the Sewer Utility had a net loss of approximately 3K. This was actually our smallest loss in the sewer utility in the last 5 years, with the largest being 35K in 2016. This means there is no income to save for or offset capital costs (replacements and upgrades) as sewer infrastructure ages and fails.

Water Capital Infrastructure

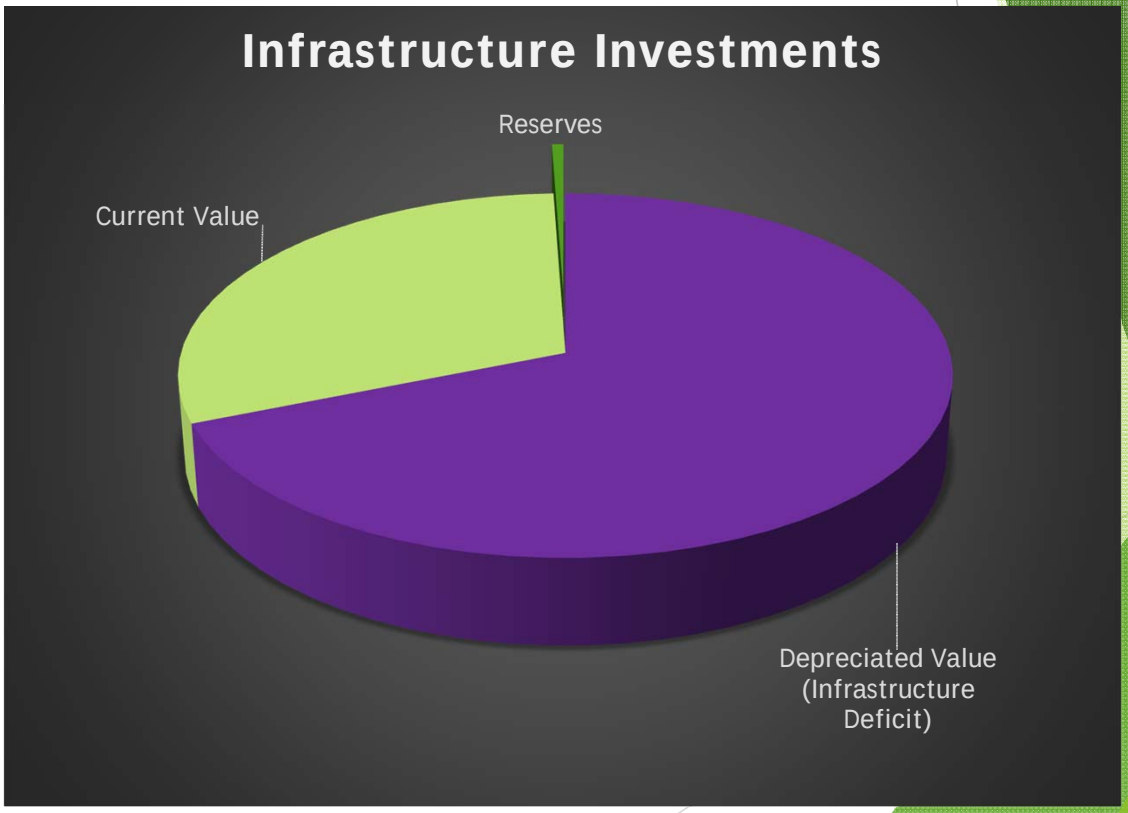
- Total est. original cost of all water infrastructure in Claresholm $26.4M
- Current est. net book value of this infrastructure is $6.7M
- This is an est. net depreciation or deficit in water infrastructure of $19.7M The Town should be saving a minimum of this amount for future replacement of infrastructure as it ages and begins to fail.
- In the last 10 years the Town has completed $17.2M of capital infrastructure investment into Water Systems.
  - $14.2M of this was in 2009-2010 with the significant Water Treatment Plant upgrade and the Pine Coulee Raw Waterline installation.
  - Another 1.7M has been for water mains added or replaced in the last 10 years.
  - Another 1.2M has been for upgrades to meter vaults and pumping stations

Sewer Capital Infrastructure

- Total est. original cost of all sewer infrastructure in Claresholm $16.2M
- Current est. net book value of this infrastructure is $9.8M
- This is an est. net depreciation or deficit in sewer infrastructure of $6.4M The Town should be saving a minimum of this amount for future replacement of infrastructure as it ages and begins to fail.
- In the last 10 years the Town has completed $9.1M of capital infrastructure investment into Sanitary Sewer Systems.
  - $2.2M of this was for Sewage Lagoon upgrades.
  - Another 5.8M has been in Sewer Trunks/Lines mains added or replaced in the last 10 years.

Net Infrastructure Deficit - 2018

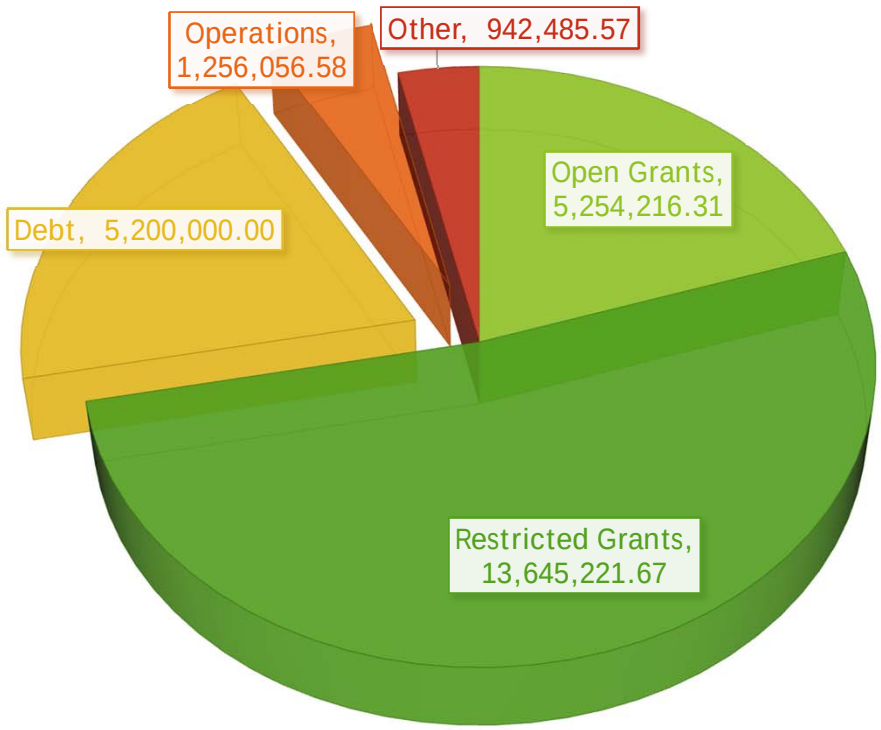
- As of December 31, 2018, as noted earlier, there is a $19.7M deficit in water infrastructure and $6.4M deficit in sewer infrastructure – totalling $26.1M. Our current reserve funds to offset this is only $238K – This is a net water and sewer utility infrastructure deficit of $25.9M



Capital Infrastructure Funding

- Since 2009 investment in water & sewer infrastructure has been a total of $26.3M
- This was funded as follows (Approx. – some older data was hard to confirm)
  - $5.2M of Debt (paid by future utility rate or tax revenue)
  - $13.6M of Competitive Grant Funding (Primarily Alberta Municipal Water/Wastewater Program (AMWWP) – or Water For Life)
  - $5.3M of Non-Competitive Provincial Grant funding (Municipal Sustainability Initiative (MSI) & Federal Gas Tax Fund (FGTF)). This equates to 59% of Unrestricted Capital Funding provided to the Municipality going to Utilities, therefore being unavailable for other functions that don't have any or adequate revenue sources – Roads, pathways, recreation facilities, common equipment, etc.
  - Leaves $2.2M from other sources including 940K from insurance proceeds or developer contributions and 1.26M from operating or reserve funding (taxes or utility rates)
  - This is approximately 25% by operating revenue & 75% from Grants

Utility Infrastructure Funding 2009-2018



Capital Infrastructure Projects – 2019-2024

- In the 2019 Capital Budget and in the 5 year Capital Plan (2020-2024) there is 3.8M of Water & Sewer Infrastructure Planned. There is another $1.3M that was identified as requiring upgrade/replacement for which sufficient funding couldn't be identified and had to be pushed out for a later year. This total of $5.1M includes:
  - 960K of water main upgrades
  - 428K of major equipment upgrades/replacements including 400K for water plant membrane replacement
  - 1.25M of sewer trunk liners (to extend life – cheaper than replacement)
  - 986K of Sewer Lagoon Upgrades
  - 1.5M for first phase of upgrades/new infrastructure required for Starline Industrial Park

Capital Infrastructure Projects – 2019-2024

- Planned funding Includes:
  - 0.5M from restricted grants (Alberta Municipal Water/Wastewater Partnership)
  - 1.8M Reserves (funded from water/sewer rates)
  - 1.5M Developer Contributions/MSI (unrestricted) capital funding
  - 1.3M Unfunded – pushed beyond 2024
- Majority of funding is coming from water/sewer rates, or is unfunded, due to lack of grant funding and unrestricted capital grants being diverted or saved for other priority projects such as street repaving, pathways, recreation facilities, and public works equipment.

Future of Funding

- Federal and Provincial Grant funding, both competitive and non-competitive, is getting more difficult to obtain.
- The MSI Funding program ends in 2022 and there is no current program to replace it, nor any guarantee one will.
- Many of the competitive grants related to water and wastewater projects encourage or require programs or rate structures to promote conservation of water.
- Federal and Provincial governments are encouraging, and may require in the future, full cost recovery on utilities (i.e. revenues on user rates sufficient to cover operational and capital expenditures to maintain the systems)
- Current revenues from Water and Sewer Utilities do not accomplish this.

Proposed Amended Rate Structure – Water

- Over the next 3 years the proposed amended rate structure will eliminate any basic water consumption inclusion included with your basic or flat rate.
  - Example 1: In 2021 monthly flat rate for residential will be $35/month or $70 bi-monthly and the consumption rate will be $2.08. If in a bi-monthly billing period you use 8m^3 your water bill will be $86.64 ($70 basic charge and $16.64 consumption). This is compared to the current water bill of $72 for that same consumption (only basic charge)
  - Example 2: If your bimonthly consumption was 50m^3 currently your water bill would be the same as the user of only 8m^3 at $72. This does not promote conservation nor does it adequately pay for the water. In 2021 this user's water bill would be $174 ($70 basic charge plus $104 consumption)
- May 2019 basic rate will stay at $36/month with included consumption reducing from 25m^3/month to 10m^3/month and consumption charge increasing from $0.80/$m^3$ to $1.30/$m^3$
- January 2020 basic rate will drop at $35/month with included consumption reducing from 10m^3/month to 5m^3/month and consumption charge increasing from $1.30/$m^3$ to $1.65/$m^3$.
- January 2021 basic rate will stay at $35/month with included consumption reducing from 5m^3/month to NIL and consumption charge increasing from $1.65/$m^3$ to $2.08/$m^3$.

Proposed Amended Rate Structure - Sewer

- Over the next 3 years the proposed amended rate structure will add consumption or usage charges for sewer for residential users. This will first be implemented with some “Sewer Usage Inclusion” included with the basic charge to reduce the impact as this is phased in.
- As sewage usage is not metered, it will be based on water consumption. For residential users sewage usage is assumed or calculated at 50% of water consumption (to account for water consumption that does not enter the sanitary sewer lines (Ex. Watering lawns).
- May 2019 basic rate will increase to $13/month from $10.90 with included usage going from unlimited to 15m^3/month (i.e. 30m^3 of water consumption) with usage charge starting at $0.55/$m^3$
- January 2020 basic rate will increase to $15/month with included consumption reducing to 7.5m^3/month (i.e. 15m^3 of water consumption) usage charge increasing from $0.55/$m^3$ to 0.72m^3$.
- January 2021 basic rate will increase to $16.50/month with included consumption reducing to NIL and consumption charge increasing from 0.72m^3$ to 0.90m^3$.

Proposed Amended Rate Structure – Sewer (Cont.)

- To continue the examples used on water:
  - Example 1: A low water user of 8m^3 bi-monthly would currently pay $10.90/month, or $21.80 bi-monthly with no usage charge. They would continue to pay no usage charge in 2019 or 2020 as they are below the usage limits, however in 2021 sewage usage would be charged based on 4m^3 (50% of water consumption) at $0.90/$m^3$. With increased basic/flat rates they would pay $33 basic charge (16.50/month) plus $3.60 usage for a total of $36.60 bi-monthly
  - Example 2: If your bimonthly consumption was 50m^3 currently your sewer bill would be the same as the user above at only $21.80 bi-monthly. This user would start to see usage charges in 2019 as they are above the basic usage inclusion. In 2021 they would pay usage fees of $22.50 (25$m^3$, 50% of 50$m^3$, at $0.90/$m^3$) plus the same basic rate as above at $33 for a total bi-monthly bill of $55.50 for sewer

Combined Examples

- Combining the water and sewer for a bi-monthly bill for a user of $8m^3$ vs $50m^3$ per billing cycle each year would look as follows:

	Current	May 2019	2020	2021
$8m^3$ User – Water	$72.00	$72.00	$70.00	$86.64
$8m^3$ User – Sewer	$21.80	$26.00	$30.00	$36.60
$8m^3$ User - Combined	$93.80	$98.00	$100.00	$123.24
$50m^3$ User - Water	$72.00	$111.00	$136.00	$174.00
$50m^3$ User – Sewer	$21.80	$31.50	$42.60	$55.50
$50m^3$ User - Combined	$93.80	$142.50	$178.60	$229.50

Resulting Funding For Future Infrastructure

- It is difficult to predict how rate changes will affect usage and conservation of water, and therefore future revenues.
- Estimates are that in 2021, after 3 year phase in of change in rate structure, that revenue in water/wastewater will be approx. $1M/year prior to principal debt repayments. After debt payments approx. $750K. This will fund future capital upgrades/replacements and help to address our current $25.9M deficit in utility infrastructure

Thank You

Claresholm

Where **Community** Takes Root