

The Corporation of the City of Kawartha Lakes
Council Report

Report Number EA2019-003

Date: January 23rd, 2019

Time: 9:00 a.m.

Place: Council Chambers

Ward Community Identifier: All

Title: Proposed 2019 Water-Wastewater Capital and Operating Budgets

Description: This report presents Council with recommended 2019 water-wastewater capital and operating budgets.

Author and Title: Adam Found, Manager of Corporate Assets
Jennifer Stover, Director of Corporate Services

Recommendation(s):

That Report EA2019-003, **Proposed 2019 Water-Wastewater Capital and Operating Budgets**, be received;

That the 2019 Water-Wastewater Capital Budget, attached as Appendix A to Report EA2019-003, be adopted; and

That the 2019 Water-Wastewater Operating Budget, attached as Appendix B to Report EA2019-003, be adopted.

Department Head: _____

Financial/Legal/HR/Other: _____

Chief Administrative Officer: _____

Background:

On July 11th, 2017, Council adopted the City's first Long-Term Financial Plan (LTFP) based on the Corporate Strategic Plan, Asset Management Plan and Development Charges Background Study. The 2018 capital and operating budgets for both tax-supported and water-wastewater lines of business were the first to be developed within such a guiding framework, representing a turning point in the City's history.

The 2019 Water-Wastewater Capital Budget and 2019 Water-Wastewater Operating Budget, attached hereto as Appendices A and B, respectively, have likewise been developed. This report presents Council with these budgets for deliberation and approval.

Rationale:

Staff continues to update and refine the LTFP for changing information and financial circumstances. In particular, staff is working to enhance the operating side of the LTFP and intends to present Council with a revised version of the plan after the adoption of 2019 budgets. Given the short- and long-term financial consequences of budget decisions, it is the intention of staff to update Council on the LTFP annually after the adoption of budgets.

Staff has worked extensively over the past several months to develop proposed 2019 budgets in alignment with the LTFP and that address the City's needs within resource constraints. The following water-wastewater budget highlights are worth noting (all financial figures are rounded):

- An unprecedented \$9.5M in total capital investment, of which approximately 63% is for water assets and 37% is for wastewater assets.
- Initiation of downtown Lindsay reconstruction and revitalization with a \$2.1M investment to replace aging water and sewer mains under Russell Street and Peel Street.
- Continuation of the 2017-2021 Lindsay cast iron watermain replacement program with a \$3.0M investment, of which \$1.6M is funded from the \$5.8M Small Communities Fund grant.
- A \$1.4M upgrade to the Fenelon Falls Water Treatment Plant to improve regulatory compliance and enable the plant to attain its designed capacity.
- An investment of \$500K to finalize the replacement and expansion of the Lindsay Colborne St. / Rivera Sewage Pumping Station essential for growth and development.

- A capital expenditure of \$250K for studies and special projects to improve regulatory compliance, growth management and system optimization.
- Consistency with no increase to the existing water-wastewater debt ceiling.
- Management of operating pressures relating to the Ontario Clean Water Agency, bi-annual sanitary sewer flushing and debt servicing.
- Considerable contributions to the water and sewage reserves to support future capital needs in alignment with the LTFP.
- A proposed average user rate increase of 2.7% as compared to the 3.0% forecasted for 2019 as per the LTFP.

As in 2018, the 2019 capital budgets (tax-supported and water-wastewater) are organized on the principle of program-based budgeting whereby similar capital projects are grouped into programs. The pooling of capital funding at the program level enhances capital project management flexibility, mitigates the risk of cost overruns and provides for greater administrative efficiency. This new budget structure has proven very effective. Building on this structure, several improvements have been made to the presentation of the capital budgets, such as enhanced capital project information and clearer identification of decision unit-related, early-start, multi-year and growth-related capital projects.

Other Alternatives Considered:

As the proposed 2019 Water-Wastewater Capital Budget and 2019 Water-Wastewater Operating Budget align with the LTFP and best meet the City's needs, staff is recommending Council adopt these budgets. Council may, however, consider modifications to either budget during deliberations.

Financial/Operation Impacts:

The LTFP sets out the expected financial impacts of aligning future operating and capital budgets with the municipal service levels established by Council and or legislation. The 2019 budgets proposed by this report have expenditure and financing implications noted therein. As in 2018, all approved 2019 budgets (tax-supported and water-wastewater) will be consolidated into a single document and made available on the City's website.

Relationship of Recommendation(s) To the 2016-2019 Strategic Plan:

The recommendations of this report align with the following goals of the Corporate Strategic Plan:

- Goal 1 – A Vibrant and Growing Economy: Effective budgets help support municipal services essential for a prosperous and growing economy.
- Goal 2 – An Exceptional Quality of Life: Effective budgets help support municipal services essential for the quality of life of residents.
- Goal 3 – A Healthy Environment: Effective budgets help support municipal services essential for a healthy environment.

Consultations:

Senior Management Team
City Treasurer

Attachments:

Appendix A: Proposed 2019 Water-Wastewater Capital Budget



2019 Tax-Supported
Capital Budget.pdf

Appendix B: Proposed 2019 Water-Wastewater Operating Budget



2019 Proposed
Water Wastewater O

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Department Head: Juan Rojas, Director of Engineering and Corporate Assets