

2019 CITY OF CAMBRIDGE

# BUDGET

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2019 Draft Water Utility Budget Summary

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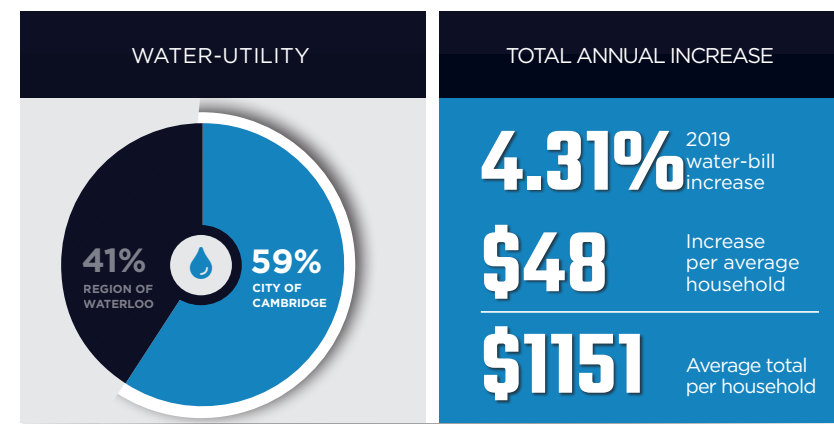
## Water Utility Budget

### Summary

The water utility budget determines the city's water and wastewater rates, paid on Cambridge water bills. The budget covers the daily costs of running the water and wastewater utilities, including the purchase of clean water and wastewater treatment from the Region of Waterloo.

The 2019 water utility budget includes gross expenditures of \$67.5 million. The budget is balanced as required through provincial legislation, so that revenues equal expenses.

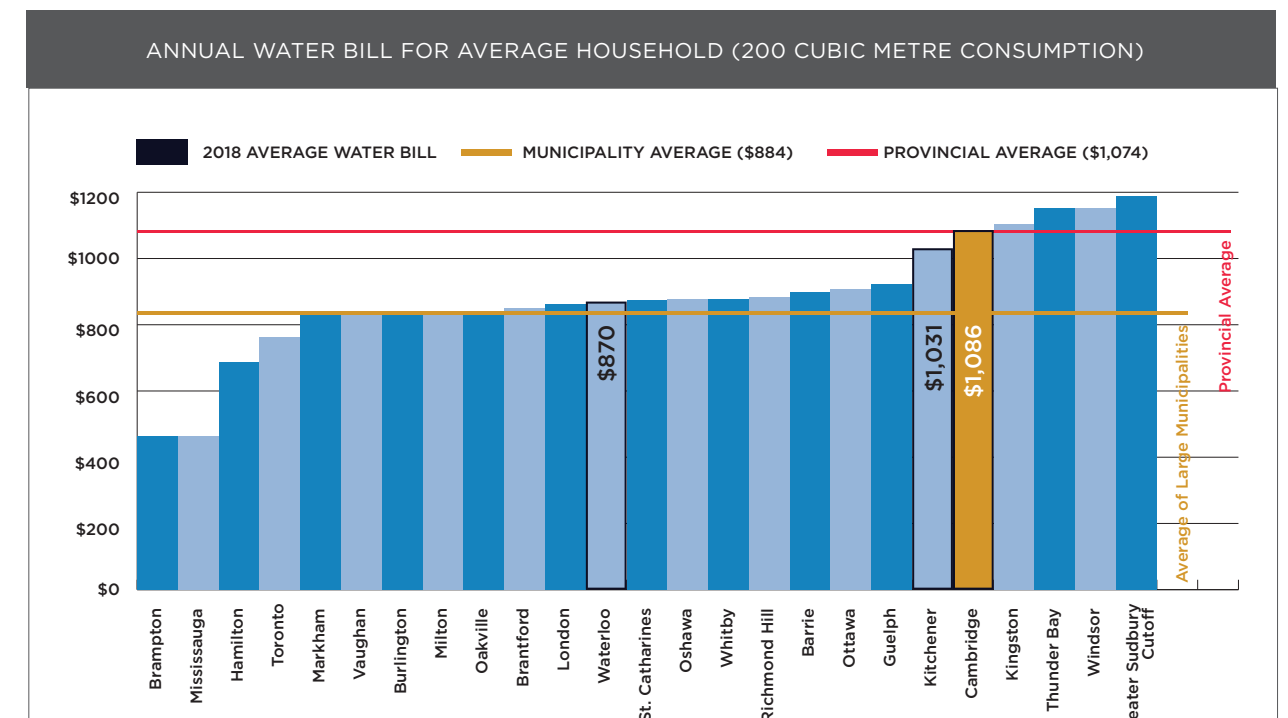
The average annual household water utility bill for 2019, including both water and sewer, is \$1,151 based on an average consumption of 204 cubic meters. This represents an annual increase of \$48 or 4.31 per cent over 2018. Of this, \$23 or 2.06 per cent is for the treatment of water and sewer by the Region of Waterloo, the cost of which is passed down to the City's water bill. The remaining \$25 or 2.25 per cent of the increase is the result of continued investment in the city's water and sewer networks.



## Water Utility Budget

### Comparison to Other Municipalities

The estimated annual water bill for Cambridge residents approximated the total provincial average as calculated by BMA Management Consulting Inc. in their 2018 Municipal Study.

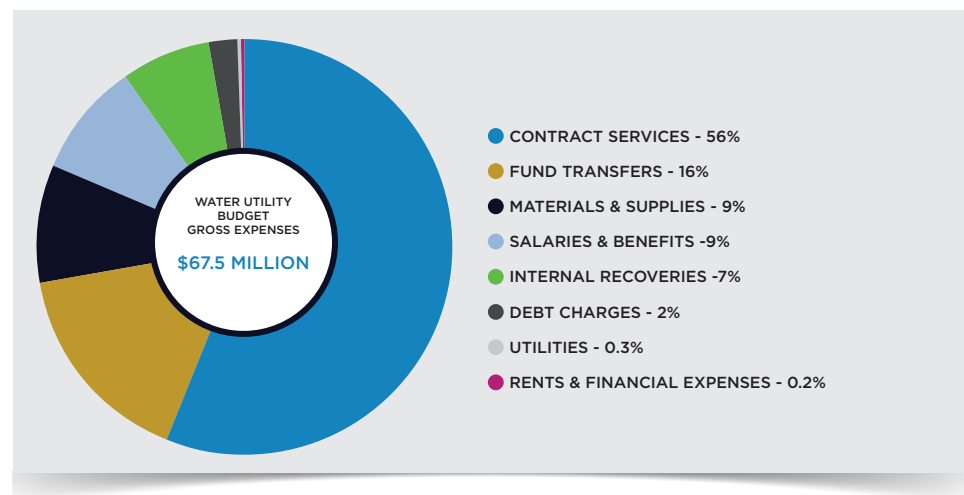


## Water Utility Budget

CITY	2018 EST. AVG. HOUSEHOLD INCOME	2018 AVERAGE RESIDENTIAL WATER BILL (200m <sup>3</sup> )	2018 WATER BILL AS % OF HOUSEHOLD INCOME
<b>Cambridge</b>	<b>\$97,643</b>	<b>\$1,086</b>	<b>1.1%</b>
Waterloo	\$114,438	\$870	0.8%
Kitchener	\$90,901	\$1,031	1.1%
Average of all Ontario Municipalities	\$102,194	\$1,066	1.0%
Median of all Ontario Municipalities	\$95,406	\$1,025	1.1%

The ability to pay, as estimated using average household income, may vary for each community. This is an important check in determining the affordability of utility bills. BMA Management Consulting Inc. also computes this affordability check in their 2018 Municipal Study. For the average residential household in Cambridge, the 2018 water bill represented 1.1 per cent of estimated income, which is in line with the provincial average and the City of Kitchener.

## Expenses



Major components of the water utility budget can be summarized by the specified expense categories.



## Water Utility Budget

### CONTRACT SERVICES

Contract services represent 56 per cent of the water utility gross expenses. The largest cost in the water utility budget is the purchase of clean water and wastewater treatment from the Region of Waterloo. The Region's rate for water treatment has increased by 2.9 per cent, and their rate for wastewater treatment has increased by 6.9 per cent. Of the average annual 2019 household water bill totaling \$1,151 (based on estimated consumption of 204 cubic meters), 41 per cent directly relates to the purchase of these services from the Region.

Other contract services include meter reading and professional services in the sewer lateral maintenance program.

### FUND TRANSFERS

A portion of water utility bills is used to support major rehabilitation and replacement of water and wastewater infrastructure, represented by the fund transfers expense category and 16 per cent of gross expenses. These transfers are based on the water and wastewater long-range financial plan, with the principle of full sustainability in accordance with O. Reg. 453/07. The transfers are used for the water and wastewater capital investment plan in the City's capital budget.

## Water Utility Budget

### INTERNAL RECOVERIES

Internal recoveries represent seven per cent of water utility expenses. These expenses are the corporate overhead recovery from the tax-supported operating budget. Recovery amounts are based on direct costs and funding percentages established as part of the long-range water and wastewater financial plan. A portion of certain divisions directly support water utilities, and this portion is recovered from the water bills through these internal recoveries. These programs include:

- Asset Management & Project Management
- Service Cambridge
- Risk Management
- Financial Services
- Engineering Services
- Planning
- Building Services
- Forestry
- General corporate overhead for administration

### DEBT CHARGES

The City's debt policy balances key several considerations when determining whether projects should be funded from a pay-as-you-go approach versus debt financing. These considerations include:

- The opportunity cost of using cash that could be deployed elsewhere
- The need to manage and protect asset replacement funds over time
- The cost of capital
- Whether or not benefits will accrue to future taxpayers, which favours spreading out the repayment terms through debt financing
- The useful life of an investment

As per this debt policy, rate-supported debt charges will be limited to 15 per cent of the City's rate-supported revenues. The policy also requires that in the year that a debt-financed capital project is approved, 50 per cent of the annual debt repayment amounts are to be included in the operating budget with the full impact being included in the following year.

## Water Utility Budget

The water utility debt payments for 2019 are for the following approved capital projects:

PROJECT YEAR	PROJECT DESCRIPTION	DEBT PAYMENTS (\$)
2011	Thin Wall Cast Iron Watermain Rehab Backlog	485,800
2015	Hespeler Streetscape (Queen-Adam-Guelph-Tannery)	31,900
2015	Valley Drive & Maple Street	31,900
2015	Hopewell (Seven-Fairview) Severn Ave (Hopewell-Grand Valley)	25,900
2015	Lowell & McNaughton	23,900
2015	Bergey (Adam-Edward)	16,700
2015	Glen Morris & Selkirk	26,300
2015	Davidson Street & McKenzie	35,800
2015	Pollock Ave (Lincoln Ave-Lowell St N)	21,900
2015	Walker & Flynn Ave	20,500
2015	Elizabeth-Gerrard-Avondale-Scott Rd	95,500
2017	Samuelson St Watermain Renewal	19,200
2017	Walter St Watermain Renewal	55,300
2017	Water Street Watermain Replacement	37,100
2018	Advanced Metering Infrastructure	579,000
	<b>TOTAL 2019 DEBT PAYMENTS</b>	<b>\$1,506,700</b>

## Water Utility Budget

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In February of 2018, Council approved a smart water meter project to install or retrofit smart meters in homes throughout the city. The new smart meters will utilize an advanced metering infrastructure (AMI) system to provide remote meter reading, data analysis and alerts for possible leak or flow problems. This real-time data will help ensure bill accuracy, and allow City staff and residents the ability to detect potential water leak issues in a timely manner to manage unnecessary water costs. Debt will be used to pay for the upfront project costs, and debt repayments will be covered by anticipated savings from reduced water loss and wastewater inflow and infiltration. As such, there is no impact from the project on the water utility bill. In accordance with policy, half the debt costs or \$0.6 million are included in the 2019 budget and half in 2020.

### OTHER COSTS

Other costs in the water utility operating budget include:

- Salaries and benefits (nine per cent of water utility expenses)
- Materials and supplies (nine per cent of water utility expenses)
- Utilities (0.3 per cent of water utility expenses)
- Rents and financial expenses (0.2 per cent of water utility expenses)

These costs are primarily to support the ongoing maintenance and repairs of the city's water and wastewater infrastructure.

## Water Utility Budget

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### Revenues

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The water utility budget is funded through the following sources:

- User fees
- Penalties and interest
- Transfers from reserve funds

User fees represent 98.8 per cent of the funding, paid through the water utility bill and other fees charged on a cost recovery basis for services. Interest is charged on overdue payments, making up 0.2 per cent of funding.

Transfers from reserve funds represent one per cent of the total funding. The budget includes a transfer of \$0.3 million from the water meter replacement reserve fund to cover the cost of the meter maintenance program. A portion of the water bill is used towards this reserve fund for sustainable planning on the City's water meter assets. The budget also includes a temporary draw of \$0.3 million from the water and wastewater rate stabilization reserve funds to bridge the gap associated with the timing of the advanced meter infrastructure project: operating impacts from this project are incurred in the early years of the project while the savings in water loss and wastewater inflow and infiltration will be achieved as the smart meters are actually installed and retrofitted.