

**THE UNION WATER SUPPLY SYSTEM
JOINT BOARD OF MANAGEMENT
SUPPLEMENTARY AGENDA ITEMS
WEDNESDAY, JULY 18, 2018
COMMENCING AT 9:00 AM
IN THE RUTHVEN WATER TREATMENT PLANT BOARD ROOM**

(E) Items for Consideration:

1. UW19/18 dated July 16, 2018 re: Proposed 2018 UWSS Budget Amendment
Pages 2 - 5 Report
Pages 6 - 8 Proposed 2018 Amended Budget Summary

/kmj

UW/19/18

Report

To: Chair and Members of the Union Water Supply System Joint Board of Management

From: Rodney Bouchard, Union Water Manager

Date: July 16, 2018

Re: Proposed 2018 UWSS Amended Budget



Recommendation:

That the Union Water Supply Joint Board of Management (UWSS Board) receives this report for information; and

That the UWSS Board approves the 2018 UWSS Amended Budget as outlined in this report.

Report Highlights

- Actual potable water demand from UWSS as of June 30th, 2018 is 147 million gallons (approximately 9.6%) above the budgeted demand to this date. An increase in budgeted flows from 3.3 billion Imperial gallons to 3.4 billion Imperial gallons (increase of 100 million imperial gallons) is proposed to account for the increased water demand.
- The proposed 100 million Imperial Gallon increase in budgeted water demand would result in an increase of \$262,600 in wholesale water rate revenue for 2018.
- An increase in Budgeted Investment Income from \$350,000 to \$400,000 is proposed to account for better than predicted market performance.
- A \$212,000 increase in Operational Expenditures is forecasted for 2018 to account for unbudgeted items (e.g. watermain repairs, Drinking Water License Renewal), increase in legal expenditures and Operations Programs and Studies.
- A revised 2018 Capital Program is proposed for 2018 to account for postponed projects, and new needed capital works. The proposed revised Capital Program would result in a \$465,000 reduction in Capital expenditures for 2018.

Background:

The UWSS Manager typically provides a mid-year update on UWSS Revenues and Expenditures as compared to the approved budget. This report provides a summary update on 2018 water demand, revenues and expenditures for UWSS up to June 30, 2018.

Discussion:

The following provides brief details on the status of actual potable water demand, wholesale rate revenue, operational expenditures, and capital expenditures from January 1, 2016 to June 30, 2016.

Potable Water Demand:

As of June 30, 2016, UWSS potable water demand was 1.678 billion Imperial gallons (gallon), which represents a 147 million gallon increase (9.6 percent increase) from budgeted water demand of 1.531 billion Imp. gallons to this date.

However, water demands can be unpredictable in the fall/winter season as such, a conservative increase in 2018 Budgeted water demand of 100 million gallons is proposed to account for this increase in water demand.

Wholesale Rate Revenue:

Based on the proposed increase 100 million gallon increase in Budgeted Water demand, wholesale rate revenues for UWSS in 2018 are projected to increase by \$262,600. Thus the budgeted wholesale rate revenue for the amended budget is proposed to be increased from \$9,004,200 to \$9,266,800.

Investment Income Revenue:

Investment Income in the first half of 2018 is approximately \$38,000 greater than budgeted. An increase of \$50,000 in investment income from \$350,000 to \$400,000 is proposed in the 2018 UWSS Amended budget to account for the better than expected market performance.

Total UWSS Revenue:

An increase of \$312,600 in total UWSS Revenue for 2018, including wholesale rate revenue, investment income revenue and sundry revenue (from telecommunication antennae leases) is proposed. As such, the proposed 2018 UWSS Amended Budget Revenue would increase from \$9,378,200 to \$9,690,800.

Operational and Fixed Expenditures:

Operational and Fixed Expenditures include costs associated with the OCWA Operations and Maintenance contract; administrative costs for UWSS including employee salaries and benefits; electricity and natural gas costs; and debt servicing costs.

A \$212,000 increase in Operational Expenditures is forecasted for 2018 to account for unbudgeted items (e.g. watermain repairs, Drinking Water License Renewal), increase in legal expenditures and Operations Programs and Studies. As such, the proposed 2018 UWSS Amended Budget would increase Operational Expenditures from \$7,302,191 to \$7,531,028. Details regarding changes in Operational Expenditures are provided in the Proposed 2018 Amended Budget - Summary table in Attachment A.

Capital Expenditures:

A budget of \$4,805,000 has been approved by the UWSS Board for 2018 Capital Works. Based on discussions with OCWA Operations staff at UWSS, a revised 2018 Capital Program is proposed for 2018 to account for postponed projects, and new needed capital works. The proposed revised Capital Program would result in a \$465,000 reduction in Capital expenditures for 2018; thus the proposed UWSS 2018 Amended Budget includes a revised Capital Works Budget of \$4,340,000. Details regarding changes in Operational Expenditures are provided in the 2018 Proposed Capital Budget Amendment table in Attachment A.

The following provides an overview of the UWSS budget status for the 2017 Budget year, as of June 30th, 2016.

Table 1: 2016 UWSS Mid-Year Revenue Versus Operational Expenditures

Budget Item	Approved 2018 Budget	Proposed Amended 2018 Budget	Variance
Total Revenue	\$9,378,200	\$9,690,800	\$312,600
Operational Expenditures	(\$7,302,191)	(\$7,531,028)	(\$228,837)
<i>Operational Surplus/(Deficit)</i>	<i>\$2,076,009</i>	<i>\$2,159,772</i>	<i>\$83,763</i>
Capital Works Program	\$4,805,000	\$4,340,000	(\$465,000)
<i>Surplus/(Deficit)</i>	<i>(\$2,728,991)</i>	<i>(\$2,180,228)</i>	<i>\$548,763</i>

Conclusions:

The UWSS General Manager proposes an Amended UWSS Budget for 2018 to account for increases in revenue and operational expenditures and revisions to Capital Works Program.

Respectfully submitted,



Rodney Bouchard, General Manager
Union Water Supply System Joint Board of Management
rb/kmj

Attachments.

ATTACHMENT A

UNION WATER SUPPLY SYSTEM JOINT BOARD OF MANAGEMENT

Proposed 2018 Amended Budget - Summary

	2018 Budget	Approved Additions/ (Subtractions)	Proposed 2018 Amended Budget
<u>Water Flows</u>			
Projected Water Demand (Imperial Gallons)	3,300,000,000	100,000,000	3,400,000,000
<u>Revenue</u>			
Wholesale Rate Billings	\$9,004,200	\$262,600	\$9,266,800
Investment Income	\$350,000	\$50,000	\$400,000
Sundry revenue	\$24,000	\$0	\$24,000
<i>Total Revenue:</i>	<i>\$9,378,200</i>	<i>\$312,600</i>	<i>\$9,690,800</i>
<u>Operating Expenditures</u>			
<u>Wages and Benefits</u>			
Salaries	\$170,500	\$4,500	\$175,000
Part time	\$0	\$0	\$0
Benefits - Full time	\$49,500	\$12,500	\$62,000
Benefits - Part time	\$0	\$0	\$0
<i>Total Wages and Benefits:</i>	<i>\$220,000</i>	<i>\$17,000</i>	<i>\$237,000</i>
<u>Office Overhead, Rents and Services</u>			
Office supplies	\$2,000	\$0	\$2,000
Board expenses	\$1,500	\$0	\$1,500
Dues, Memberships, Subsc	\$5,000	\$0	\$5,000
Travel & Mileage	\$2,000	\$0	\$2,000
Training	\$6,000	\$0	\$6,000
Conferences	\$6,000	\$0	\$6,000
Meeting Expenses	\$2,000	\$0	\$2,000
Uniforms/Clothing	\$500	\$0	\$500
Legal/Professional fees	\$20,000	\$55,000	\$75,000
Audit Fees	\$7,000	\$0	\$7,000
Property Taxes	\$145,000	\$0	\$145,000
Operational Purchases/Maint.	\$20,000	\$0	\$20,000
Sundry	\$250	\$0	\$250
Leamington Assistance	\$30,000	\$0	\$30,000
Communications	\$1,500	\$0	\$1,500
Postage & Courier	\$500	\$0	\$500
Advertising & Promotion	\$6,500	\$2,500	\$9,000
Insurance	\$15,000	\$0	\$15,000
Donations & Grants	\$4,000	\$0	\$4,000
Office equipment Purchases/Maint.	\$7,500	\$0	\$7,500
OCWA Operating & Maintenance Contract	\$2,876,500	(\$76,663)	\$2,799,837
Electricity and Natural Gas	\$1,250,000	\$0	\$1,250,000
Operational Programs & Studies	\$210,000	\$116,000	\$326,000
Residuals Ponds Maintenance	\$150,000	\$0	\$150,000
Watermain Repairs	\$0	\$100,000	\$100,000
Municipal DW License Renewal	\$0	\$15,000	\$15,000
<i>Total Office, Overhead and Services:</i>	<i>\$4,768,750</i>	<i>\$211,837</i>	<i>\$4,980,587</i>
<u>Debt Service</u>			
Sun Life Debt Obligation	\$2,313,441	\$0	\$2,313,441
<i>Total Debt Service:</i>	<i>\$2,313,441</i>	<i>\$0</i>	<i>\$2,313,441</i>
<i>Total Operating Expenditures:</i>	<i>\$7,302,191</i>	<i>\$228,837</i>	<i>\$7,531,028</i>
<i>Net Operational Surplus/(Deficit):</i>	<i>\$2,076,009</i>		<i>\$2,159,772</i>
<u>Capital Works Budget</u>			
Capital Works and Major Maintenance	\$4,805,000	-\$465,000	\$4,340,000
SURPLUS/(DEFICIT) AFTER CAPITAL WORKS:	(\$2,728,991)		(\$2,180,228)

**Union Water Supply System
2018 Proposed
Capital Budget Amendment**

<u>Item Description</u>	2018 Approved Budget	Additions/ (Subtractions)	2018 Amended Budget
<u>Studies and Programs</u>			
Water Quality (i.e. CWN, Corrosion Monitoring)	\$35,000	\$0	\$35,000
Water Demand/ Loss Study	\$100,000	\$0	\$100,000
UWSS Operations Contract Assessment	\$25,000	\$0	\$25,000
Dechlorination System Evaluation and Preliminary Engineering	\$50,000	(\$50,000)	\$0
Water Rate Study/ O.Reg 453 Financial Plan	\$0	\$35,000	\$35,000
DAF System Preliminary Design (Continued from 2017)	\$0	\$20,000	\$20,000
CO2 System Evaluation and Design (Continued from 2017)	\$0	\$60,000	\$60,000
Cottam Booster System Reservoir Cover Rehab Design & Eng.	\$0	\$51,000	\$51,000
Total Studies/Programs:	\$210,000	\$116,000	\$326,000
<u>Capital Works and Major Maintenance</u>			
Low Lift Pump #1 Major Maintenance	\$35,000	\$0	\$35,000
Blue Green Algae/ Chlorophyll Probe - Low lift well	\$25,000	(\$25,000)	\$0
Microstrainer Floors - Microstrainer #2	\$30,000	\$10,000	\$40,000
Filter Media Replacement -Filters 6 and 8	\$140,000	\$10,000	\$150,000
Turbidity Meters for Filter Backwash (8 new units)	\$45,000	(\$25,000)	\$20,000
High Lift Pump #7 New Pump and Motor	\$85,000	(\$85,000)	\$0
New Kitchen/ Lunchroom	\$25,000	\$0	\$25,000
New Laboratory	\$50,000	\$25,000	\$75,000
Maintenance Shop Roof	\$30,000	\$0	\$30,000
Lighting Upgrades	\$30,000	(\$10,000)	\$20,000
Essex Water Tower Rehabilitation (interior and exterior)	\$1,025,000	\$0	\$1,025,000
Distribution System Maintenance	\$100,000	\$0	\$100,000
Cathodic Protection System for Leamington Water Tower	\$20,000	\$0	\$20,000
Master Water Meter Communication System Improvements	\$50,000	(\$50,000)	\$0
Security System Install	\$45,000	\$0	\$45,000
SCADA System Upgrade - Complete new system*	\$1,220,000	(\$470,000)	\$750,000
CO2 pH Adjustment System Engineering and Construction*	\$950,000	\$0	\$950,000
Chlorine Building System and Building Improvements*	\$900,000	\$0	\$900,000
Cottam Booster Reservoir Cover Regrading **	\$0	\$100,000	\$100,000
High Lift #1 Motor Repair	\$0	\$15,000	\$15,000
Main Wash #1 Actuator Upgrade	\$0	\$20,000	\$20,000
Admin Area upgrades	\$0	\$20,000	\$20,000
Total Capital Works and Major Maintenance:	\$4,805,000	(\$465,000)	\$4,340,000