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Meeting Date: June 25, 2020
File No.:



To: Chair and Members
Lambton Area Water Supply System Joint Board of Management

From: Clinton Harper
General Manager

Subject: 2021 Preliminary Operating and Capital Budget

Recommendation

It is recommended that the Board receive the 2021 Preliminary Operating and Capital Budget as information.

Executive Summary

Over the next two years, there are approximately \$17 million dollars in work aimed at maintaining the systems current level of service and to provide service enhancement. Based on a cash flow analysis for the next five years, and to avoid a cash shortfall in 2022, a 4.7% increase to the overall LAWSS Budget is recommended in 2021. How this increase translates to each of the LAWSS Municipal Members is outlined in Table 1.

COS= City of Sarnia VPE= Village of Point Edward		SCT= St. Clair Township TW= Township of Warwick		TPW= Town of Plympton-Wyoming LS = Lambton Shores			
Table 1	COS	SCT	TPW	VPE	TW	LS	LAWSS
2021 % Budget allocations (2019 flows)	59.34	29.18	5.07	2.32	2.24	1.85	100
Inc/Dec	+1.00%	-0.60%	+0.09%	-0.08%	-0.33%	-0.08%	NA
2020 Approved Budget (x1000)	\$5,673	\$2,896	\$484	\$233	\$250	\$188	\$9,724
2021 Preliminary Budget (x1000)	\$6,040	\$2,970	\$516	\$236	\$228	\$188	\$10,179
% change	+6.48%	+2.58%	+6.58%	+1.20%	-8.76%	+0.35%	+4.69%
Difference (x1000)	\$367	\$74	\$32	\$3	\$-22	\$0	\$455

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Preliminary 2021 Operating Budget:

Water Treatment Operations Contract

In 2021, the two largest costs for the water supply system are expected to remain:

1. OCWA Service Fee @ \$2,237,119 (Most applicable CPI applied)
2. Electricity @ \$1,525,000

For this preliminary budget, the 2021 operating costs, including chemicals, fuel, sludge haulage, Sewage Fees, and insurance are estimated at \$4.375 million. The estimate reflects a net 0.49% projected increase compared to the 2020 budget.

Operating Expenses

Operating expenses that are projected for the 2021 preliminary budget are approximately \$1,030,000 and represents a \$52,000 net increase over the 2020 budgeted amount. This net increase is primarily due to marginal increasing on administration costs and anticipated increases in taxes.

Preliminary 2021 Capital Budget:

Items that correlate to the LAWSS Capital Plan for 2021 and included in the budget proposal are listed below:

2021 Capital	Budget
WTP- 5kV Motor Control Group A & B	\$696,000
WTP- Main Plant HVAC Repair	\$738,000
WTP- Outdoor Pathway Lighting + WLPS- Exterior	\$200,000
WLPS- South Reservoir Refurbish	\$5,600,000
Indian Road WT Refurbish	\$120,000
2021 Major Maintenance	
Replace 7 Chlorine On-Line Analyzers	\$15,000
Gearbox Refurb at Floc Tanks 2/yr	\$21,500
Sluice gate inspection & Maintenance	\$15,000
Vibration Monitoring	\$2,000
Security Camera Upgrade	\$45,000
Person Down Alarm Monitor 3rd party	\$6,500
3rd party electrical inspection	\$17,000
Wet Well low Lift cleanout	\$15,000
Electrical Inspection-3rd party contractor	\$10,000
Motor HLP-2 (VFD Compliant)	\$23,000

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Electrical Inspection-3rd party contractor	\$5,000
Hydrant Installation- 6622 London Line	\$17,000
Chamber (flow) abandonment	\$20,000
Hydrant Isolation valve repairs x (3) (gland bolts)	\$15,000
Concrete Pipe end closures and 20' lengths	\$15,000
2021 Engineering Studies	
System - Asset Management Plan	\$150,000

Items that are not included on the Capital Plan but will be part of the 2021 Budget Proposal are listed below.

WTP Reservoir- Capital to facilitate Maintenance	\$250,000
WTP Fuel System Upgrade including Engineering	\$1,000,000
Sewage Pump Replacement	\$5,000
UPS Module Replacement	\$5,000
Filter Rotork Valve Replacement	\$10,000
Low Lift Dewatering Pump	\$3,000

WTP Reservoir- Capital improvement to facilitate future maintenance

Emergency repair work that was completed in 2020 on the WTP's 65ML reservoir allowed for the development of an improved preventative maintenance scenario. Various maintenance constraints exist that must be corrected prior to any long-term shutdown of the storage facility. This work primarily includes the removal of water service connections tapped directly into LAWSS transmission pipeline within a certain proximity of the WTP.

WTP Fuel System Upgrade, Including Engineering

Appendix A: Staff Report- Fuel Storage and Delivery System for Diesel Generators at WTP, date June 25, 2020 is attached.

2021 Capital Plan

The most current Capital Plan is presented in Appendix B.

Lifecycle Projects (Maintain Level of Service (LOS))

Proposed projects in the 2021 Capital Budget aimed at maintaining current LOS.

- WTP- 5kV Motor Control Group A & B
- WTP- Main Plant HVAC Repair

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- WTP- Fuel System
- WLPS- South Reservoir Refurbish.
- Indian Road WT Refurbish

In addition to the above-noted capital projects, the 2021 Capital Budget includes Major Maintenance Projects. Major Maintenance projects are defined by the service agreement as maintenance projects estimated to not exceed \$50,000. These projects are undertaken by the contracted operating authority, OCWA, on behalf of the Board.

Service Improvement Projects (Enhanced Level of Service, Regulatory Changes, Efficiency)

Proposed projects in the 2021 Capital Budget geared towards enhancing LOS.

- WTP- Outdoor Pathway Lighting + WLPS- Exterior
- WTP- Servicing relocating related to Reservoir Maintenance
- System- Asset Management Plan

Capital Forecast:

A number of capital projects are projected beyond the 2021 Capital Budget year, which will have an impact on the financial forecast and future water rates for the water system. LAWSS Asset Management Plan is in need of a rebuild and is included in the 2021 Capital Budget proposal. An overall rebuild of the LAWSS Financial Plan to align with the newly updated Master Plan and Asset Management Plan is anticipated in 2022.

Flow and Financial Analysis:

To fund the work forecasted in the Capital Plan a 4.7% increase is needed over each of the next two years to the overall LAWSS Budget.

2019 Demand Actuals (Flow) are used to determine cost allocation between Member Municipalities in the current years budget proposal. Flow data collected between January 2020 and August 2020 were used to determine anticipated total 2020 demand. A 5-year trending analysis was used to estimate total demand beyond 2020.

Actual 2019 demand for all sources	18,155,069 m ³
Anticipated 2020 Total Demand (Estimate based on Jan-April 2020 Actuals)	18,336,620m ³
Anticipated 2021 Total Demand (Estimate based on 2016-2020 Trending)	18,394,000m ³

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Financial forecast in Table #2 expresses cash flow at 4.7% increase if maintained for the next 2 years. Note that the total expenses in 2022 nearly exceed the starting balance for that year. Please note that LAWSS may need to go into debt to offset the timing of cashflow in 2022.

Table #2	Budget 2020	Prop. 2021	2022	2023	2024	2025
Annual Demand (MI)	17.81	18.16	18.34	18.39	18.64	18.89
Water Rate (/m ³)	\$0.5459	\$0.5607	\$0.5812	\$0.5812	\$0.5812	\$0.5812
Budget % Incr	1.5%	4.7%	4.7%	0.0%	0.0%	0.0%
Starting Balance (x1000)	\$4,196	\$6,940	\$2,685	\$79	\$4,461	\$6,130
Total Revenue (x1000)	\$9,896	\$10,394	\$10,808	\$10,843	\$10,988	\$11,136
Total Expenses (x1000)	\$7,152	\$14,649	\$13,415	\$6,460	\$9,320	\$5,953
Ending Balance (x1000)	\$6,940	\$2,685	\$79	\$4,461	\$6,130	\$11,313

This report was prepared by Clinton Harper, LAWSS General Manager.

Attachment(s):

Appendix A- Staff Report- Fuel Storage and Delivery System for Diesel Generators at WTP, date June 25, 2020.

Appendix B- Capital Plan