

PUBLIC MEETING DOCUMENTATION

2012 BUDGETS AND RATES



**WATER
RIVERVIEW PARK AND ZOO**

**December 8, 2011 @ 6:00 p.m.
Board Room – Peterborough Utilities Office
1867 Ashburnham Drive**

Summary

The proposed water rate increase effective January 1, 2012 is 3.0%.

The typical flat rate residential customer monthly bill will increase by \$1.01 from \$33.66 in 2011 to \$34.67 in 2012. (Draft rate schedule included as Appendix A.)

The total capital and operating program for 2012 is \$29.30 million.

Total Operating and Capital Expenditures				
(\$'s thousands)				
	2012	2011	2011	2010
	Budget	Projected	Budget	Actual
Operating	9,725	9,284	9,312	8,821
Amortization	5,400	4,900	4,900	4,690
Financial	391	255	255	235
Capital	13,780	10,176	12,291	7,206
Total	29,296	24,615	26,758	20,952

The PUC will require \$25.14 million to finance the operating and capital programs as well as debt repayment.

Total Operating and Capital Expenditures				
Cash Requirement				
(\$'s thousands)				
	2012	2011	2011	2010
	Budget	Projected	Budget	Actual
Operating	9,725	9,284	9,312	8,821
Financial	391	255	255	235
Capital	13,780	10,176	12,291	7,206
Debt retirement	1,240	990	990	315
Total	25,136	20,705	22,848	16,577

The cash resources are provided by the following sources:

Total Operating and Capital Expenditures				
Cash Provision				
(\$'s thousands)				
	2012	2011	2011	2010
	Budget	Projected	Budget	Actual
Operating revenues	16,069	15,653	15,509	15,172
Reserve funds	330	580	330	103
Contributed capital	487	487	487	80
Financing	6,500	-	-	6,600
Changes in non-cash working capital	554	(2,140)	61	2,082
Working capital	1,196	6,125	6,461	(7,460)
Total	25,136	20,705	22,848	16,577

Revenue from the sale of water is budgeted to be \$15.30 million in 2012, an increase of \$498 thousand or 3.4% above the 2011 forecasted revenues of \$14.80 million. The increase in revenue assumes a 0.5% growth in residential customers which translates into approximately \$54 thousand in additional revenues.

Cash and short term deposits are expected to be \$10.33 million by the end of 2011 and \$9.82 million by December 31, 2012.

Cash Summary (\$'s thousands)				
	2012 Budget	2011 Projected	2011 Budget	2010 Actual
Operating	4,492	5,692	2,748	11,814
Reserve	5,325	4,638	4,570	4,173
Total Cash	9,817	10,330	7,318	15,987

According to the 2012 plan, total cash will decrease by \$514 thousand. Reserve fund cash will increase by \$686 thousand and operating cash will decrease by \$1.20 million.

2012 Cash Summary by Fund (\$'s thousands)				
	Operating	Reserve	Contributed Capital	Total
Surplus (deficit)	549	1,016	487	2,052
Amortization	5,400	0	0	5,400
Change in non cash working capital	554	0	0	554
	6,503	1,016	487	8,006
Capital	(12,963)	(330)	(487)	(13,780)
Debt repayment	(1,240)	0	0	(1,240)
	(14,203)	(330)	(487)	(15,020)
Change in cash	(7,700)	686	0	(7,014)
Financing	6,500	0	0	6,500
Net change in cash	(1,200)	686	0	(514)
Opening Cash	5,692	4,639	0	10,331
Ending Cash	4,492	5,325	0	9,817

The 2012 Plan anticipates an operating fund surplus of \$549 thousand as compared to the 2011 planned operating surplus of \$1.06 million. The \$515 thousand reduction in the planned surplus is primarily related to the increased amortization related to the water meters of approximately \$500 thousand.

Key Assumptions

The 2012 budget is based on the following key assumptions:

1. Water rates increase by 3.00%, (2011 increase 2.90%)
2. Labour rates will increase by 2.50%, (2011 2.40%)
3. Benefit costs have increased by approximately 6.00% over 2011. The OMERS increase of 1.00% represents one third of the total benefit increase over 2011. In 2011 OMERS announced a three-year contribution rate increase for members and employers, 1.00% in 2011, 1.00% in 2012 and 0.90% in 2013.
4. Interest rate on cash balances, 1.00% (2011 – 1.00%)
5. Growth in residential customers, 0.50% (2011 – 0.50%)

Operating Expenses

The 2012 operating budget of \$15.52 million is 5.95% higher than the 2011 budget of \$14.47 million. Costs by expense category are summarized in the following table.

Operations and Administration Expense						
(\$'s thousands)						
	2012 Budget	2011 Projected	Change		2011 Budget	2010 Actual
			\$	%		
Water treatment and storage	3,497	3,296	201	6.10%	3,296	3,121
Distribution systems	2,079	1,980	99	5.00%	1,979	1,973
Administrative	1,142	1,093	49	4.48%	1,108	982
Support services	1,811	1,779	32	1.80%	1,779	1,709
Riverview Park and Zoo	1,196	1,137	59	5.19%	1,150	1,036
Financial	391	255	136	53.33%	255	235
Amortization	5,400	4,900	500	10.20%	4,900	4,690
Total Expenses	15,516	14,440	1,076	7.45%	14,467	13,746

The 2012 budget increase of \$1.89 million over the 2011 projected is mainly attributed to increased amortization expense of \$500 thousand and wage and benefit increases.

Number of Employees

Labour resources required by the PUC are purchased from PUSI. The 2012 budget allocates 61.2 full-time employees to PUC compared to 60.2 in the 2011 budget. The 2012 plan includes an Apprentice in the Water Distribution department. The additional apprentice was hired in 2011 in anticipation of a retirement in 2012 or early 2013.

FTE Analysis, excluding students							
	2012			2011			Change
	Direct	Support	Total	Direct	Support	Total	
Water Distribution	16.0		16.0	15.0		15.0	1.0
Water Treatment	18.0		18.0	18.0		18.0	-
Riverview Park and Zoo	7.0		7.0	7.0		7.0	-
Support		20.2	20.2		20.2	20.2	-
Total	41.0	20.2	61.2	40.0	20.2	60.2	1.0

Cost of water treatment and storage (Schedule A)

The 2012 budget for the cost of water treatment and storage has increased by \$200 thousand or 6.1% to \$3.50 million in 2012 from \$3.30 million in the 2011 budget. Labour and benefit increases accounts for \$125 thousand of the increase of which approximately \$55 thousand is related to an increase in the water analyst hours over 2011 as the employee was off on maternity leave and was not backfilled in 2011.

This category includes expenditures for process waste treatment, water treatment plant, pump house and dam, pumping stations, and reservoirs.

Distribution Systems (Schedule B)

The operating budget has increased by \$99 thousand or 5.0% to \$2.08 million in 2012 from \$1.98 million in 2011. The increase in staff wages and benefits as well as the additional apprentice are the primary reasons for the increase. The 2012 operating and capital plan is based upon 2011 activity levels.

General Administrative (Schedule C)

Total General Administrative expenses are budgeted at \$1.14 million, an increase of \$34 thousand or 3.0% from the 2011 budget.

- The 2012 water conservation budget of \$72 thousand includes \$25 thousand of support for the Children's Water Festival.
- The net increase in rental expense from PUSI is 2012 is \$28 thousand.
 - Building rental expense from PUSI is budgeted at \$402 thousand, a decrease of \$2 thousand over the 2011 budget of \$405 thousand.

- Software and equipment rental expenses from PUSI are budgeted at \$201 thousand compared to \$170 thousand in 2010.
- Professional fees have decreased by \$45 thousand from the 2011 budget.

Support Services (Schedule D)

The following chart indicates the resources from Peterborough Utilities Services Inc., as a percentage of total department resource level, required to meet the PUC operating and capital requirements.

Support Service Allocations		
	2012	2011
	Budget %	Budget %
Finance	28.7	32.6
Administration	27.9	33.7
Peterborough Technology Services	12.5	12.7
Customer Service	23.9	22.5
Corporate & Administrative Services	15.7	13.5
Human Resources	40.5	38.5
Purchasing	38.9	39.9

The Support costs attributable to PUC, excluding the capitalized administration adjustment, has increased by \$25 thousand from the 2011 amount of \$1.93 million to \$1.95 million in 2012.

The 2011 budget allocates \$141 thousand in support costs that are to be capitalized to recognize the support provided to capital projects.

Riverview Park & Zoo Operations (Schedule F)

Riverview Park and Zoo ("RP&Z") net expenses are increasing by \$53 thousand to \$1.06 million in 2012 from \$1.01 million in the 2011 budget.

The total cost to operate the RP&Z in 2012 of \$1.20 million is reduced by RP&Z revenues of \$133 thousand..

Financial Expense

Financial expense relates to interest paid on customer security deposits, construction security deposits and on long-term debenture debt. The 2012 budget is \$391 thousand as compared to the 2011 budget of \$255 thousand. The 2012 budget includes 6.5 million in new debentures in part to fund water meters.

Other Revenue

- Sewer surcharge and collection fees are calculated using the Activity Based Costing system. The collection fees are budgeted at \$365 thousand in 2011, compared to the 2011 budget and forecast of \$365 thousand.
- Interest income budgeted for 2012 is \$95 thousand.
- Other income, budgeted at \$80 thousand, includes change of occupancy fees, customer late payment interest, water vendor revenues, and rental from communication towers installed on PUC property.
- Electricity generation revenues of \$114 thousand have been budgeted based on generation of 1,580,000 kWh's at an average price of 7.2 cents/kWh. The average rate is based upon obtaining a hydroelectric contract initiative from the Ontario Power Authority.

Balance Sheet

Cash at the end of 2012 is forecasted to be \$9.82 million of which \$5.33 million is restricted.

Changes in Cash Position				
Cashflow				
(\$ thousands)				
	2012	2011	2011	2010
	Budget	Projected	Budget	Actual
Cash, beginning of period	10,330	15,987	13,093	7,827
Cash provided by operating activities	8,007	5,509	7,507	9,081
Cash (used) by investing activities	(13,780)	(10,176)	(12,291)	(7,206)
Cash provided/(used) by financing activities	5,260	(990)	(990)	6,285
Cash, end of period	9,817	10,330	7,319	15,987

Cash Used in Investing Activities

Cash used in investing activities for 2012 is expected to be \$13.78 million as summarized in the table on the following page.

Capital Expenditures (\$'s thousands)			
	2012	2011	2011
	Budget	Projected	Budget
Water Treatment Plant	429	340	390
Pumphouse and Dam	791	201	792
Booster Pumping Station	137	81	136
Reservoirs and storage tanks	206	122	157
Trunkmains	453	20	20
New Mains - Subdivisions	340	340	340
New Mains -Existing streets	442	16	60
New Services	154	179	179
Distribution Rehabilitation	4,825	3,995	4,091
Hydrants	73	57	69
Meters	554	125	526
Meters - Retrofit	5,000	3,500	4,500
Riverview Park and Zoo	366	1,190	1,021
Administration	10	10	10
Total Expenses	13,780	10,176	12,291

APPENDIX A

**PETERBOROUGH UTILITIES COMMISSION
PROPOSED MONTHLY WATER RATES
Effective for all water used on and after January 1, 2012**

Residential Flat Rate Service

Basic Charge	\$10.6517/unit
Rooms	\$2.2893 each
Lot Area	\$2.0562/100 m ²
Swimming Pool	\$ 0.2120/m ³

NOTE:

- 1) Residential lot area charge is subject to a 1500 m² maximum.
- 2) New Commercial flat rate water service is no longer available. Existing Commercial flat rate customers are being converted to metered service wherever doing so is practical.

Metered Service

Basic Charge

15 mm (5/8")	Meter -	\$19.6182
20 mm (3/4")	Meter -	26.6027
25 mm (1")	Meter -	37.1167
40 mm (1½")	Meter -	61.6420
50 mm (2")	Meter -	89.6226
75 mm (3")	Meter -	145.5308
100 mm (4")	Meter -	285.4018
150 mm (6")	Meter -	495.2666
200 mm (8")	Meter -	705.1209
250 mm (10")	Meter -	984.8312
300 mm (12")	Meter -	1,398.4349

Consumption Charges

First 100 m ³	\$	0.7950
Next 4,900 m ³		0.6147
Balance		0.4239

2012 PROPOSED MONTHLY WATER RATES (continued)

Demand Minimum Charge

The charge is calculated as 30% of your highest monthly consumption charge during the previous summer months (July to October), adjusted to current rates. This charge applies to both residential and commercial metered accounts.

Seasonal Use: Minimum Charge

For customers who use water on a seasonal basis, there is a minimum charge (Demand Minimum Charge defined above) which applies to up to eight months following temporary disconnections.

Turn-on/Turn-off service

There is no charge for this service during normal business hours, unless it is required on a repeat basis; for instance, annually. Please give us 24 hours advance notice for this free service.

Occasional, during normal working hours,
turn on or off..... no charge

Repeat, during normal working hours,
turn on or off..... \$45.00

Repeat or Annual Service, after hours (except emergencies),
turn on or off..... Actual cost, \$106.50 min. charge

Emergencies no charge

Water vending unit \$1.00 / 800 litres

Fire Flow Tests

During non-freezing periods \$310 / test

During freezing periods Time and material,
.....\$310 minimum

Cross-Connection Fees Effective January 1, 2008.

Certified Backflow Prevention Device Tester

Registration Fee \$100 / year

Transient Certified Backflow Prevention Device Tester

Registration Fee \$50 / 30 days

Test Tag Fee \$25

Test tags expire 5 years after first being affixed to a backflow prevention device.

Authorized test tags are only available from PUC.

Only Registered Testers may purchase test tags.

Late Filing Fee \$100 / report

Applies to any report that is not submitted within the specified time-period or for any person not renewing their Certified Backflow Prevention Device Tester

Registration within 30 days of expiry.

Sewer Surcharge

A sewer surcharge, proportional to water charges, is billed and collected on behalf of the City of Peterborough. For clarification regarding this charge, please call Peterborough City Hall at (705) 742-7771.

Water Capital Charges

Effective January 1, 2012

Frontage Charges

Residential, Commercial and Institutional.. \$400 / metre

Industrial \$400 / metre

Re-development same as above

Non-Abutting Frontage Charges

Residential - Single Family\$3,035 each

Multi-residential, Commercial, Industrial,
Institutional (by formula)

.....Min. frontage* (m) x \$3,035 ÷ 15.24 (m)

* Minimum frontage as required by City of Peterborough Zoning By-Law

Service Connections

Residential - 20 mm,

Restoration costs extra\$2,525 each

Residential - 25 mm (low pressure areas),

Restoration costs extra\$2,525 each

All other services - 25 mm and larger Actual Costs

..... Minimum charge \$2,525

Subdivision Inspection Charges..... \$62.20 per lot

Water Utility Development Charges
Effective January 2008, By-law 08-011

Residential

Planning Area	Res. A Singles & Semis	Res. B Other Multiples	Res.C Apart- ments
1. Auburn North	\$3,039	\$2,619	\$1,781
2. Jackson	\$2,706	\$2,333	\$1,586
3. Carnegie West (Zone 3N)	\$2,095	\$1,806	\$1,228
4. Chemong	\$2,093	\$1,804	\$1,227
5. Lily Lake	\$1,868	\$1,611	\$1,095
6. Liftlock	\$1,754	\$1,512	\$1,028
7. Coldsprings	\$1,644	\$1,418	\$964
8. Outside Planning Areas	\$1,609	\$1,387	\$943
9. Carnegie East (Zone 2)	\$1,366	\$1,178	\$801

Non-Residential, all planning areas..... 12.53 /m2

Rates are subject to change.