

**STAFF REPORT: Financial & Information Services**



**REPORT TO:** Finance & Administration  
**MEETING DATE:** March 16, 2010  
**REPORT NO.:** FIS.10.16  
**SUBJECT:** Wastewater Reserves and Reserve Funds Consolidation  
**PREPARED BY:** Robert Cummings, Director of Financial & Information Services

**A. Recommendations**

THAT Council receive Staff Report FIS.10.16, "Wastewater Reserves and Reserve Funds Consolidation"; and,

THAT Council authorize Staff to proceed with the implementation of a single reserve for Wastewater Rate Stabilization; and,

THAT Council authorize Staff to draft a By-law to implement a consolidation of all identified Reserves and Reserve Funds related to wastewater into one Wastewater Reserve Fund.

**B. Background**

The Town has reserves and reserve funds in place to fund expenditures that relate to the collection and treatment of wastewater. Over time, five different reserves and reserve funds have been established. Some of these were brought forward from amalgamation. Others have been setup since amalgamation. These reserves and reserve funds were created to provide for a number of similar purposes that related to two wastewater collection areas and treatment plants. This was logical in estimating the future costs of each plant and system and ensuring an amount of money was set aside to pay for future needs. However, the future costs of either system do not have to be represented in a reserve or reserve fund. One could state the Town has a wastewater collection and treatment system that contains many kilometres of pipe, pump stations, and a couple of plants. The future costs of updating and maintaining the components of that system would be contained in an asset management plan. The total sum of the costs in the plan would be representative of a wastewater system reserve fund. In general, these reserves and reserve funds serve the purpose of supporting the Town's Wastewater System and can be categorized into two groups that relate to this system: Capital (or Asset) Related and Rate Stabilization.

Town Staff has the opportunity to improve the administration efficiency by consolidating the number of reserves and reserve funds related to the Town's Wastewater System. This will simplify the work of tracking, accounting and reporting on these reserves and reserve funds. As part of the 2009 year-end process, three of the existing wastewater reserves and reserve funds will be consolidated into a Wastewater Reserve Fund. The remaining two reserves will be consolidated into a Wastewater Rate Stabilization Reserve. The attached chart illustrates

the existing reserves and reserve funds, their purpose and the 2009 beginning balance and the future consolidated reserve or reserve fund.

The Wastewater Reserve Fund will be used to fund expenditures related to studies, replacement, enhancement, construction and acquisition of capital assets for the collection, storage and treatment of wastewater. The fund shall earn interest at the rate in effect in a given year. The amount to be carried in this fund will be determined from a long-term asset management plan to be completed this year. The Fund shall be established by By-law.

The Wastewater Rate Stabilization Reserve will be an operating reserve used to fund short term fluctuations in revenue or expenses within a year. Town Staff recommends that the amount of the reserve should be sufficient to fund 15% of current year's consumption revenue. In 2010, this amount would be \$170,000. This reserve will have to be built up over time as part of the annual budget process to meet this dollar amount.

The two existing reserves that will make up the Wastewater Rate Stabilization Reserve have a combined balance of about \$76,000 prior to any 2009 closing entries. Through the 2009 year-end process, Staff will address this with a recommendation to move forward to the desired balance.

### **C. The Blue Mountains' Strategic Plan**

"Providing a strong, well managed municipal government".

### **D. Environmental Impacts**

No significant impact at this time.

### **E. Budget Impact**

No significant impact at this time.

### **F. Attached**

1. Wastewater Reserves and Reserve Funds Consolidation

Respectfully submitted,

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Signature

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The Blue Mountains  
Wastewater Reserves and Reserve Funds Consolidation  
16-Mar-10

FIS.10.16

Sewer Reserve Funds	Purpose	2009 Opening Balance	New Reserve or Reserve Fund
Craigeith Sewer Capital	Discretionary capital use - Funded by approved budget decisions	\$3,262,969	Wastewater Reserve Fund
Craigeith Sewer Operating	Discretionary capital use - Built from surplus within a fiscal year	\$6,099,906	Wastewater Reserve Fund
<b>Total Wastewater Reserve Funds</b>		<b>\$9,362,875</b>	

**Sewer Reserves**

Reserve - Sewer (Town of Thornbury)	Capital maintenance and upgrades to the former Thornbury Wastewater sytem	\$1,342,322	Wastewater Reserve Fund
Reserve for Rate Stabilization - TB CD LB CB Sewer	Fund shortfalls in operating revenue due to fluctuations in annual Wastewater use.	\$45,893	Wastewater Rate Stabilization Reserve
Reserve for Rate Stabilization - Craigeith Sewer	Fund shortfalls in operating revenue due to fluctuations in annual Wastewater use.	\$29,820	Wastewater Rate Stabilization Reserve
<b>Total Wastewater Reserves</b>		<b>\$1,418,035</b>	
<b>Total Wastewater Reserves &amp; Reserve Funds</b>		<b>\$10,780,910</b>	

**Proposed Reserves**

Wastewater Reserve Fund	Fund expenditures related to studies and the replacement, enhancement, construction and acquisition of capital assets for the treatment, storage and distribution of Wastewater.	\$10,705,197	
Wastewater Rate Stabilization Reserve	Fund shortfalls in operating revenue due to fluctuations in annual Wastewater use.	\$75,713	
<b>Total Wastewater Reserves &amp; Reserve Funds</b>		<b>\$10,780,910</b>	