

STAFF REPORT: Financial & Information Services

REPORT TO: Finance & Administration
MEETING DATE: February 16, 2010
REPORT NO.: FIS.10.09
SUBJECT: Water Reserves and Reserve Funds Consolidation
PREPARED BY: Robert Cummings, Director of Financial & Information Services

A. Recommendations

THAT Council receive Staff Report FIS.10.09, "Water Reserves and Reserve Funds Consolidation"; and,

THAT Council authorize Staff to proceed with the implementation of a single reserve for Water 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 water into one Water Reserve Fund.

B. Background

The Town has reserves and reserve funds in place to fund expenditures that relate to the treatment and distribution of water. Over time, ten different reserves and reserve funds have been established. Some of these funds date back to 1991. These reserves and reserve funds were created to provide for a number of similar purposes. However, in general, these reserves and reserve funds serve the purpose of supporting the Town's Water 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 reserves and reserve funds related to the Town's Water 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, eight of the existing water reserves and reserve funds will be consolidated into a Water Capital Reserve Fund. The remaining two reserves will be consolidated into a Water 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 Water Reserve Fund will be used to fund expenditures related to studies, replacement, enhancement, construction and acquisition of capital assets for the treatment, storage and distribution of water. 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 Water 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 \$225,000. 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 Water Rate Stabilization Reserve do not have a positive balance at this time. Through the 2009 year-end process, Staff will address this with a recommendation to move forward.

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

Water Reserves and Reserve Funds Consolidation

Respectfully submitted,

Signature

For more information, please contact:

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The Blue Mountains
 Water Reserves and Reserve Funds Consolidation
 8-Feb-10

FIS.10.09

Water Reserve Funds	Purpose	2009 Opening Balance	New Reserve or Reserve Fund
Camperdown Water Reservoir	Set up in 1991 as a result of a severance -- Will be used up in 2010	\$7,536	Water Reserve Fund
Camperdown Water Lines	Set up in 1991 as a result of a severance -- Will be used up in 2010	\$4,216	Water Reserve Fund
PV Future W/S	For Clarksburg Servicing purposes.	\$701	Water Reserve Fund
Craigleith Water Capital	Discretionary capital use - Funded by approved budget decisions	-\$2,320	Water Reserve Fund
Craigleith Water Operating	Discretionary capital use - Built from surplus within a fiscal year	\$2,242,733	Water Reserve Fund
Total Water Reserve Funds		\$2,252,867	

Water Reserves

Reserves - Thornbury Water Plant	Capital maintenance and upgrades to the water treatment plant	\$42,658	Water Reserve Fund
Reserve for Replacement - Thornbury Water	Capital maintenance and upgrades to the former Thornbury water sytem	\$91,000	Water Reserve Fund
Reserve for Replacement - CCCL Water	Capital maintenance and upgrades to the former non-Thornbury water system	\$488,881	Water Reserve Fund
Reserves - Water (Town Thornbury)	Fund shortfalls in operating revenue due to fluctuations in annual water use.	-\$46,609	Water Rate Stabilization Reserve
Reserve for Rate Stabilization - Water	Fund shortfalls in operating revenue due to fluctuations in annual water use.	\$32,358	Water Rate Stabilization Reserve
Total Water Reserves		\$608,289	
Total Water Reserves & Reserve Funds		\$2,861,155	

Proposed Reserves

Water Reserve Fund	Fund expenditures related to studies and the replacement, enhancement, construction and acquisition of capital assets for the treatment, storage and distribution of water.	\$2,875,406	
Water Rate Stabilization Reserve	Fund shortfalls in operating revenue due to fluctuations in annual water use.	-\$14,251	
Total Water Reserves & Reserve Funds		\$2,861,155	