

Priorities Committee Meeting_Mar09_2021

REPORT FOR INFORMATION

Water Meter Replacement Program

Report Purpose

To provide an overview on the rationale for changing the meter replacement program from five to seven years and how this change will impact operational or capital savings.

Our Prioritized Strategic Goals

Goal 2 - Manage, invest and plan for sustainable municipal infrastructure

Report

When Utilities developed the mass water meter replacement plan as part of the 2020 - 2024 capital plan, it envisioned moving as quickly as possible to complete meter replacements for residents to allow for the following benefits:

- 1) Provide monthly meter readings versus bi-monthly readings;
- 2) Provide more timely water consumption information to residents to address issues such as possible leaks and large spikes in consumption; and
- 3) To utilize remote meter reading technology to reduce the County's cost of obtaining meter readings.

In order to provide the benefits to residents in a timely manner, the following was proposed in the 2020 – 2024 capital budget:

- Five-year replacement plan at \$2.3 million per year (\$11.5 million total) in the capital budget;
- \$75,000 in yearly meter reading operating budget savings once complete; and
- \$2 increase to water fixed charges spread over two years (\$1 per year) to ensure funding was available for the replacement plan.

Following is the plan's cashflow without any rate increases to residents, using the Utility Lifecycle Reserve assigned to water services:

(\$000)	2022	2023	2024	2025	2026
Utility Lifecycle Reserves (Water) Balance	9,601	6,776	4,506	2,251	11
Water Meter Replacement Capital Budget	(2,300)	(2,300)	(2,300)	(2,300)	(2,300)
Meter Reading Contract Savings	15	30	45	60	75
Reserve Balance / (Shortfall)	6,776	4,506	2,251	11	(2,214)

As shown above the total project cost would completely utilize the Utility Lifecycle Reserve. The \$2 monthly fixed charge increase was required to ensure the Utility Lifecycle Reserve assigned to address water services did not have a negative balance:

(\$000)	2022	2023	2024	2025	2026
Utility Lifecycle Reserves (Water) Balance	9,601	7,100	5,478	3,871	2,279
Water Meter Replacement Capital Budget	(2,300)	(2,300)	(2,300)	(2,300)	(2,300)
Meter Reading Contract Savings	15	30	45	60	75
\$2 Monthly Fixed Charge increase	324	648	648	648	648
Reserve Balance / (Shortfall)	7,100	5,478	3,871	2,279	709

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As part of the annual operating and capital budget review, Utilities reviewed the business case for this project to see what could be done to minimize the cost impacts to residents. Administration proposed the following changes to the replacement plan:

- A seven-year replacement plan at \$1.6 million per year (\$11.2 million total) in the capital budget;
- \$75,000 in yearly meter reading operating budget savings once complete; and
- A \$1 increase to water fixed charges spread over two years (\$0.50 per year) to ensure funding was available for the replacement plan.

(\$000)	2022	2023	2024	2025	2026	2027	2028
Utility Lifecycle Reserves (Water) Balance	9,601	7,471	5,891	4,321	2,761	1,211	(329)
Water Meter Replacement Capital Budget	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)
Meter Reading Contract Savings	10	20	30	40	50	65	75
Reserve Balance / (Shortfall)	7,471	5,891	4,321	2,761	1,211	(324)	(1,854)

As shown above even with spreading out the capital costs from five to seven years the reserve would be overspent. The \$1 monthly fixed charge increase was required to ensure the Utility Lifecycle Reserve assigned to address water services did not have a negative balance:

(\$000)	2022	2023	2024	2025	2026	2027	2028
Utility Lifecycle Reserves (Water) Balance	9,601	8,173	6,917	5,671	4,435	3,209	1,993
Water Meter Replacement Capital Budget	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)
Meter Reading Contract Savings	10	20	30	40	50	60	75
\$1 Monthly Fixed Charge increase	162	324	324	324	324	324	324
Reserve Balance / (Shortfall)	8,173	6,917	5,671	4,435	3,209	1,993	792

By making these changes to the replacement plan the County realized the following benefits:

- Reduces the overall capital budget requirement by \$0.3 million (\$11.5 million to \$11.2 million) to complete the replacement plan;
- The planned change in water fixed charges decreased from \$2 to \$1 over the next two years; the equivalent of a 0.85% planned decrease for the average Sherwood Park utility account; and
- The ability to complete the replacement plan was more achievable with the current staffing capacity in Utilities with a longer timeframe to implement the program.

Although this would delay completion of the resident meter replacement program by up to two years, a cost savings in the capital budget and a lower monthly utility bill would result.

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Council and Committee History

November 30, 2020 THAT Administration provide a report by the end of the first quarter of 2021 on the rationale for changing the meter replacement program from 5 to 8 years and on how this change will impact any operational or capital savings.

Other Impacts

Policy: N/A

Legislative/Legal: N/A

Interdepartmental: Corporate Planning

Master Plan/Framework: N/A