

Waterworks \$7.4M loan.

Approval of this loan request should be deferred pending an update of the Watson data and analysis

(Gidding & Davey should be able to do this)

The Watson report that proposed this loan was prepared in late 2020 when interest rates were at 3%

Further, debt issue was to have started in 2022 run over 4 years to a total of 7,365,524 in 2025, not a lump sum in 2023.

Further, capital costs have increased significantly 30-40% (for example, the harbour cost increased from \$5M to \$7M+, 40%). These increases are not included in the report as they occurred after Dec 2021.

Further, the effects of bill 23 on development charges are not reflected in this report.

Further, as Clr Darling asked, a supporting list of capital projects has not been provided.

The \$7.4M requirement is understated now. A revised requirement is likely in the \$12M range.

Consider the debt service (annual loan payment including interest) requirements that result from a change in interest rates (3% to 6%) and an increased funding requirement (\$7.4M to \$12M)

Loan term:

5 years (same as the \$2.3M water meter loan)

7 years (per Watson)

	5 Year Term		7 Year Term	
	\$7.4M	\$12M	\$7.4M	\$12M
3%	\$1,588,188	\$2,587,488	\$1,173,336	\$1,902,708
6%	\$1,708,428	\$2,783,916	\$1,297,236	\$2,103,636

The net effect of the interest and funding increase is that the annual debt service has increased by:

about \$1M for the 5 year term and

about \$700K for the 7 year term

Has the debt service requirement been included in the current water rates?

Questions

Operations budget:

Waterworks is a Town department. The budget schedules should conform to the Town's standard budget format.

Use sub-departments: admin/management, water plant operations, distribution, board of directors

Revenue:

Interest revenue decreased \$6.2K, 27.5% Why? Smaller cash balances? Better collections—fewer overdue accounts?

Development Charges same as 2022, Why? What is effect of Bill 23

Expenses:

Is a portion of LUSI's stormwater user fee allocated to Waterworks?

How much?

Provide a brief outline of each budget line noting relevant metrics and an explanation of any significant \$ change +/-

What are the headcount (FTE) metrics, total, how many adds/deletes

Wages have increased \$185K, 11%+ Why? This is more than the 2-3% union contract increase

Management fees decreased \$8.7K, 10% Why?

Training increased \$10K, 30% Why?

Professional fees increased \$16.8K, 34% Why? Detail for audit, legal, other consulting

Insurance increased \$31.9K, 24.3% Why?

IT Maintenance decreased \$13.9K, 15% Why?

Interest on long term debt decreased \$5.8K, 16% Why. Considering request for new loan \$7.4M and higher interest rates

Non financial metrics (cubic meters) 2022 actual, 2023 projected

Total water plant capacity?

Used capacity?

Billed water quantity

Non-billable water usage (fire, Town use)

"lost" water

Water consumption 2023 per Watson

Capital Budget:

The Capital Budget should include ALL capital projects not just those funded directly by the water rates.

A brief outline of each capital project should be included

The funding source (s) for each project should be indicated (Source and \$ amount)

Funding sources would include:

Water fees and other operations revenue

Development Charges

Gov't grants

Gas tax grant

Debt