



# City of Moose Jaw

## LETTER OF COMMUNICATION

**TITLE:** 2019 Budget Enhancements

**TO:** Budget Committee

**FROM:** City Manager

**DATE:** December 12, 2018

**PUBLIC:** This is a Public Document.

**IN-CAMERA:** This is a Public Document.

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### **RECOMMENDATION**

To be a decision of City Council.

### **TOPIC AND PURPOSE**

The purpose of this report is to provide City Council with information regarding the enhancements to the 2019 budget.

### **DISCUSSION**

Budgets must be realistic and some of the principals that have been used to develop this budget, future budgets and new initiatives include:

1. The City should live within its means.
2. The City should only budget what work can reasonably be expected to be completed within each year.
3. The City should seek to invest in infrastructure when productivity, efficiency and effectiveness increases are possible.
4. The City may borrow from reserves on a short-term basis (7 to 10 years), however **must** pay back with interest at the expected rate of return that the Institutional Investing Program provides.
5. The City should generally focus on completing one major study at a time before starting another.
6. The City should ensure that the existing systems are operating as intended before completing a study to determine system enhancements – drainage study.
7. The City should be innovative and make the most effective use of its existing funds.
8. The City should reduce reliance on external consultants.
9. The City should seek to centralize functions and refine core services.
10. Administration should continue to carefully scrutinize every budget item and only present to Council what is considered necessary.

The City of Moose Jaw 2019 enhancement requests are outlined in the chart on page 4 along with recommendations based upon the above principals.

## **Water & Sewer Utility Staffing Requests**

**Initial Request – \$475,000 increased operating costs**

**Revised Request – \$2,000 increased operating/capital costs**

There is an opportunity to combine a number of concepts, ideas and proven operating methodologies to fund this enhancement at no net cost. The last three Cities I have managed have included in-house engineering for civil engineering specialties such as cast iron and undergrounds, generally, roads, sidewalks, streets, pavement and drainage. This was a system that was used in Dauphin, Manitoba which included a capital construction crew. In-house engineering alone was duplicated at the City of Estevan with some success and at the City of North Battleford with excellent success. There are cost savings of 4 percent engineering compared to 8 percent engineering and productivity, efficiency and effectiveness increases. This was also a component of Councillor Warren's notice of motion regarding engineering (attached).

Engineering costs for projects that should be able to be designed in-house are in the current budget, conservatively estimated at almost \$800,000 along with the Project Engineer that was built into the 2018 and 2019 Budgets. It is proposed to change that position to a Design Engineer and restructure the Engineering Department to include a design team. The Department was short staffed most of 2018.

It is proposed to phase this in over two years with the following conditions:

- An engineering services contract at 50% of 2019 budget values to allow an opportunity for recruitment to be completed and new staff on site while ensuring design work gets completed. 50% of work by consultants, 50% by internal resources.
- Start the additional crew at May 1, 2018 – start of construction season

### **Savings**

	<b>2019</b>	<b>2020</b>
Capital Engineering Costs reduction – 550,000 less 50%	275,000	800,000
Less In house Design Engineer transferred from Operating to Capital	(108,000)	(130,000)
Additional crew – Capital repairs	<u>(277,000)</u>	<u>(475,000)</u>
Capital cost increase	(110,000)	195,000
Operating Cost decrease		
In-house design engineer transferred to Capital	108,000	130,000
Overall Impact	\$2,000	\$325,000

It is the intent of Administration to review costs more closely and report back to Council early in the new year.



### Advanced Metering infrastructure

Initial Request – \$1,000,000

Revised Request – \$32,000

There is an opportunity to have this program provide the benefits with minimal direct costs. Based upon the initial information, payback could be within 8 years plus. That may also be able to free up more staff time that can be diverted to the staffing noted earlier in this report. It is further proposed that the amount required be borrowed from the equipment reserve with an interest rate of 7% to be paid as per the schedule noted below.

#### City of Moose Jaw

##### Advanced Metering Infrastructure

Loan	Total	Interest	Principal	Total Costs	Less net benefits	Surplus
Year 1	\$2,500,000	\$175,000	357,000	\$532,000	\$500,000	-\$32,000
Year 2	\$4,643,000	\$325,010	714,000	\$1,039,010	\$1,000,000	-\$39,010
Year 3	\$3,929,000	\$275,030	714,000	\$989,030	\$1,000,000	\$10,970
Year 4	\$3,215,000	\$225,050	714,000	\$939,050	\$1,000,000	\$60,950
Year 5	\$2,501,000	\$175,070	714,000	\$889,070	\$1,000,000	\$110,930
Year 6	\$1,787,000	\$125,090	714,000	\$839,090	\$1,000,000	\$160,910
Year 7	\$1,073,000	\$75,110	714,000	\$789,110	\$1,000,000	\$210,890
Year 8	\$716,000	\$50,120	357,000	\$407,120	\$1,000,000	\$592,880
Year 9	\$ -	\$ -	0	\$ -	\$1,000,000	\$1,000,000
		\$1,425,480	4,998,000	6,423,480	8,500,000	\$2,076,520

Annual Cost Savings               \$   450,000  
Annual Revenue  
Generation                         \$   500,000  
Interest Rate Charged                         7%  
Phased over two years  
\$2,500,000 per year  
Loan from the  
Equipment Reserve

It is the intent of Administration to review costs more closely and report back to Council early in the new year.

Department	Operating Budget	Equipment Budget	Capital Budget	Other Reserves	City Manager Comments:
<b>Fire Service:</b> None requiring additional funding					
<b>Clerk/Solicitor:</b>					
In-house Legal Counsel Position	117,373				Support in-house legal counsel position. Fundamental 8 & 9.
Contractual Legal Fee Savings	<u>-30,000</u>				
	<u>87,373</u>				
Increased contractual Funding for Bylaw Enforcement	35,000				
<b>Financial Services</b>					
Exemption Database		2,500			Support – fundamental 3.
<b>Information Technology:</b>					
Request for Service System		20,000			Support – fundamental 3.
Website		40,000			Support – fundamental 9.
<b>Planning &amp; Development:</b>					
Streetscape Enhancement Design			20,000		Support – fundamental 7.
<b>Human Resources:</b>					
Job Evaluation Framework				50,000	Retention of employees. Support. Antiquated system needs updating.
Employee Active Living Program	26,500 0				Human Resource Services Director suggests free membership for employees.
<b>City Manager/Communications:</b> None requiring additional funding					
<b>Safety:</b> None requiring additional funding					
<b>Parks and Recreation:</b> None requiring additional funding					
<b>Engineering Services:</b>					
Slumping Strategy			120,000		Defer to 2020. Fundamental 5.
Landfill Lechate Remediation			50,000		Support. Our studies will be focused on one area for 2019. Fundamental 5 & 6.
Transportation Master Plan			150,000		Defer until Department of Highways pays for cost. Fundamental 5.
Automated Water Meters			Net zero		Support. See attached information. Fundamental 3 & 4.
Landfill Ground Water Monitoring			35,000		Support. Our studies will be focused on one area for 2019. Fundamental 5 & 6.
Paving Gravel Roads – LIP			1,810,000		Council directive.
Landfill Scale			180,000		Support. Our studies will be focused on one area for 2019.
Landfill Wind Fences			90,000		Non-support. If moving sunk costs will be lost. Fundamental 6.
Automated Parking Meters			50,000		Support provided the system can be user friendly. Fundamental 5.
Landfill Gas			50,000		Support. Our studies will be focused on one area for 2019. Fundamental 5 & 6.
Storm Sewer inspection			210,000		Non-support. Spend existing resources and cleaning open ditch system. Fundamental 6.
Boulevard – Rehabilitations			20,000		Support. Fundamental 3.
Operating-Operational Staff Request	Net zero				Support. Two-year phase in as per attached. Fundamental 3 & 4.
Transit – SaskPoly Transit Service	160,000				Non-support. Business plan required. Fundamental 1.

## **PRESENTATION**

VERBAL: X

AUDIO/VISUAL:

NONE:

## **ATTACHMENTS**

- I. Automated Water Meters information. (Advanced Metering Infrastructure)
- II. Operating-Operational Staff Request information. (Water and Wastewater Operational Request)
- III. Councillor Warren's Notice of Motion – Water and Sewer Capital Construction Division.

Respectfully Submitted By,

*Jim Puffalt*

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Jim Puffalt, City Manager

## **APPROVAL OF REPORT RECEIVED**

## **COMMENTS RECEIVED**

*Fraser Tolmie*

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Fraser Tolmie, Mayor

*To be completed by the Clerk's Department only.*

Presented to Regular Council or Executive Committee on \_\_\_\_\_.

No. \_\_\_\_\_ Resolution No. \_\_\_\_\_